

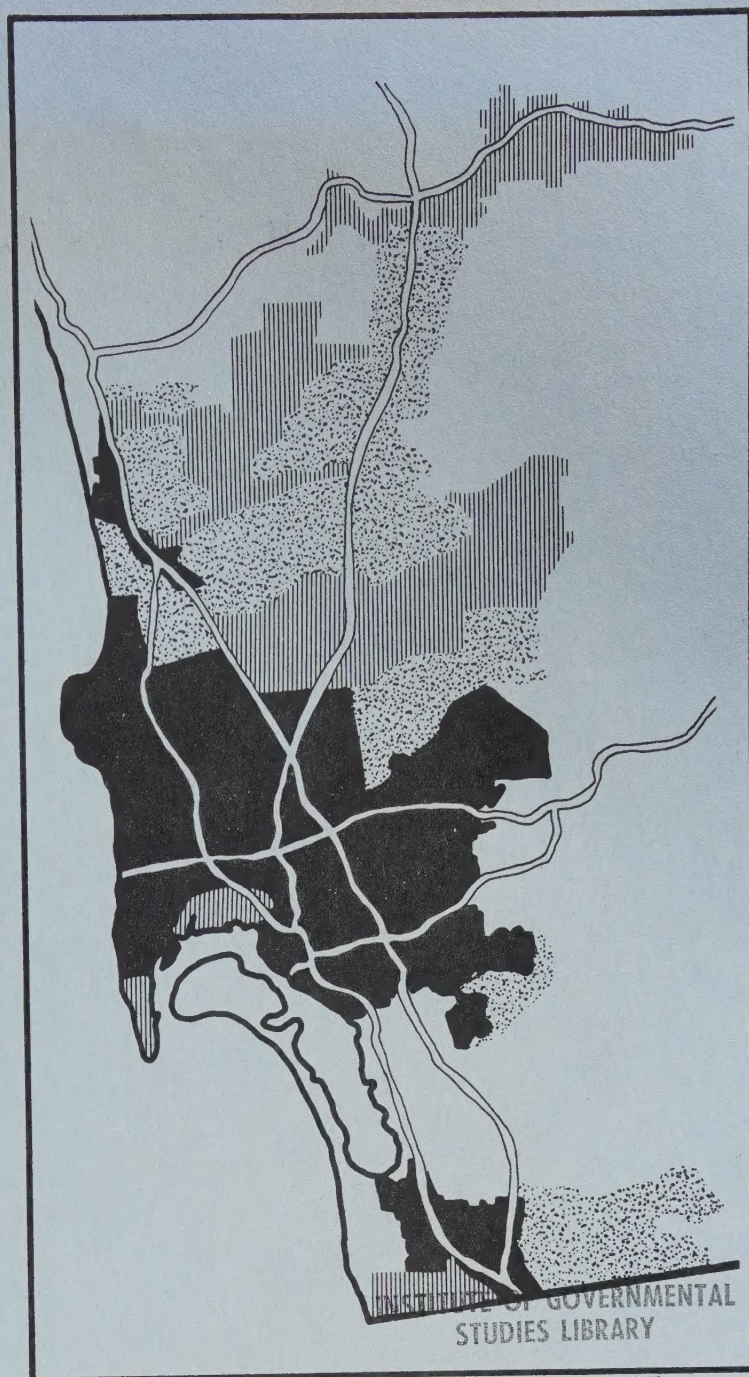
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TASK FORCE REPORT TO THE CITY COUNCIL

December 1984



MAY 29 1985

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CITY OF SAN DIEGO

GROWTH MANAGEMENT REVIEW TASK FORCE



CITY OF SAN DIEGO

GROWTH MANAGEMENT REVIEW TASK FORCE

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CITY OF SAN DIEGO

GROWTH MANAGEMENT REVIEW TASK FORCE

C/O CITY PLANNING DEPARTMENT • 202 "C" STREET SAN DIEGO, CALIF. 92101 • 236-6450

December 7, 1984

Honorable Roger Hedgecock, Mayor
Members, City Council
City of San Diego
202 "C" Street
San Diego, CA 92101

Dear Mayor Hedgecock and Councilmembers:

Attached is the final report of the Growth Management Review Task Force. It contains our findings regarding the last five years under the City's Growth Management Program, together with recommendations which we offer towards the assurance that the plan will continue to meet the demands of San Diego's future.

Our deliberations have led us to consider the means of providing for San Diego's future needs for housing, industry, and public services and facilities, while simultaneously protecting and enhancing our natural and man-made environment. It has been a task of no mean measure.

The Task Force held many public meetings over the last ten months. The final report reflects the shared expertise and cooperation of numerous concerned citizens, the City staff, and a professional consultant, in support of the Task Force's efforts. While the report's findings and recommendations have been articulated by the Task Force, we feel the final product does address a Growth Management Plan "for all San Diego".

We earnestly hope that this report will be useful to you and serve as a basis for the cultivation of policies and programs to meet San Diego's future.

Respectfully yours,

Tawfiq N. Khoury, Chairman
San Diego Growth Management
Review Task Force



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REPORT TO THE MAYOR AND CITY COUNCIL

PREPARED BY
GROWTH MANAGEMENT REVIEW TASK FORCE
FOR THE CITY COUNCIL

DECEMBER, 1984

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The Task Force wishes to thank the following individuals for their contributions of time and expertise.

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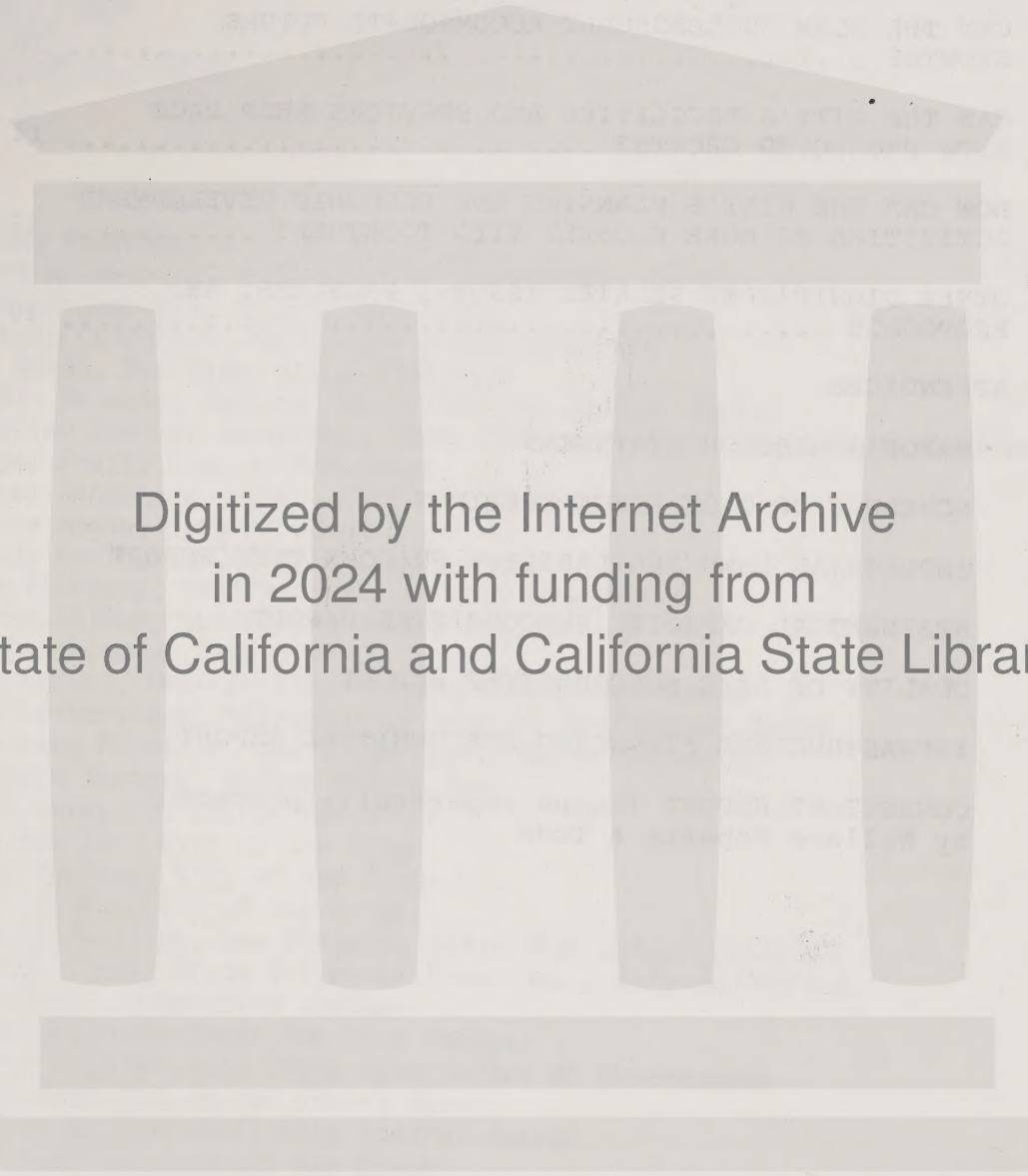
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CONTENTS

I.	INTRODUCTION	1
II.	HOW WELL HAS THE CITY MET THE GOALS OF THE GROWTH MANAGEMENT PLAN?	5
III.	CAN THE PLAN SUCCESSFULLY ACCOMMODATE FUTURE GROWTH?	10
IV.	CAN THE CITY'S FACILITIES AND SERVICES KEEP PACE WITH PROJECTED GROWTH?	14
V.	HOW CAN THE CITY'S PLANNING AND ECONOMIC DEVELOPMENT ACTIVITIES BE MORE CLOSELY TIED TOGETHER?	17
VI.	OTHER SIGNIFICANT RELATED ISSUES, PROBLEMS, AND PROPOSALS	19
VII.	APPENDICES	
	MAYOR'S MISSION STATEMENT	
	SCHEDULE OF TASK FORCE MEETINGS	
	INDUSTRIAL LAND AVAILABILITY SUBCOMMITTEE REPORT	
	RESIDENTIAL CAPACITY SUBCOMMITTEE REPORT	
	QUALITY OF LIFE SUBCOMMITTEE REPORT	
	INFRASTRUCTURE FINANCING SUBCOMMITTEE REPORT	
	CONSULTANT REPORT (bound separately) prepared by Wallace Roberts & Todd	



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I. INTRODUCTION:

HOW THE TASK FORCE CAME TO BE AND HOW IT PROCEEDED

The idea for a Growth Management Review Task Force was first articulated in Mayor Roger Hedgecock's 1984 State of the City Address, delivered on January 9, 1984. The Mayor called for the continued application of a "dynamic Growth Management Plan" to enable San Diego to accommodate the 250,000 additional people projected to live in San Diego by the year 2000. The alternative would be to become "a sad imitation of Los Angeles by the year 2000." The operative word in the Mayor's address was that the Growth Management Process should be dynamic. Mayor Hedgecock called for creation of a task force, first, to review the City's current Growth Management Plan to determine how well it had achieved the objectives originally set in 1978, and, second, to investigate what adjustments might be needed to ensure the Plan's effectiveness through the year 2000.

Following Council concurrence, the Mayor appointed a blue-ribbon task force comprised of leaders in the building industry, the business community, high-tech industry, and citizens and groups concerned with environmental and community planning issues. Mr. Tawfiq Khoury was designated the Chairman of the seventeen member group. The Task Force first met on February 6, 1984. At that meeting Mayor Hedgecock charged the Task Force to respond to three principal questions:

1. How well has the City met the goals of its Growth Management Plan?
2. Can the Plan successfully accommodate future growth?
3. Can City facilities and services keep pace with projected growth?

At subsequent Task Force meetings (typically held bi-weekly), members were provided with a tremendous mass of background material presented by City staff and numerous knowledgeable resource persons from the San Diego area. A complete chronological summary of speakers and discussion topics is provided as an attached appendix.

As the group became more deeply involved in specialized topics, the members determined that some issues could be better investigated through subcommittees. Eventually, four subcommittees were formed.

The Industrial Land Subcommittee was established to undertake a survey of industrial lands in San Diego and to evaluate the City's ability to meet future market demands for such land so as to provide an employment base for the enlarging population.

The Residential Capacity Subcommittee examined the ability of the City's current community plans to accommodate projected future residential growth. The committee also surveyed members of community planning groups on the issues of their greatest concern.

The Quality of Life Subcommittee, focusing on the way land use decisions affect the quality of life, reviewed the Growth Management Plan in terms of six major issues identified in Lynch and Appleyard's 1974 study, Temporary Paradise?. This study had been instrumental in stimulating the development of the current Growth Management Plan.

The Infrastructure Financing Subcommittee looked at the current and future demands for facilities and services, together with existing and alternative methods of their funding.

To assist the Task Force in responding to its charge, the City arranged for two consultant contracts to be awarded. One contract was to the firm of Freilich, Leitner and Carlisle, P.C. and the other to Wallace Roberts & Todd.

Wallace Roberts & Todd (WRT), a Philadelphia architecture and planning firm was charged to review the period 1979 to 1984 and to evaluate the effectiveness of the current Growth Management Program. Working with the local firm of Mooney Lettieri Associates, WRT examined City-wide growth in population and housing since 1979 and conducted both quantitative and qualitative analyses of the communities of Rancho Bernardo, Mira Mesa, Mid-City, Southeast San Diego and Otay Mesa-Nestor.

Dr. Robert Freilich, a legal and growth management consultant based in Kansas City, Missouri, was a principal architect of the City's original Growth Management Plan. His consultant work in 1976 and 1977 led to the "Guidelines for Future Development" (contained within the 1979 Progress Guide and General Plan).

Dr. Freilich's charge included two tasks. First, he provided background information to the Task Force on the 1978 Growth Management Plan. Second, following completion

of the Task Force's work, he will assist the City in preparing the programs and ordinances which would implement the these Task Force recommendations approved by the City Council.

This final report of the Growth Management Review Task Force integrates the findings and recommendations of all four subcommittee report and the WRT consultant report. The report has been formatted so as to focus directly upon the original charge given the Task Force. Sections II, III, and IV respond, respectively, to the three general questions articulated by Mayor Hedgecock at the Task Force's first meeting. Section V further explores the issue of planning and economic development activities. Section VI expresses other significant related issues, problems, and proposals. The original letter from the Mayor, giving the Task Force its charge, the four subcommittee reports, as well as the WRT consultant report are appended.

II. GENERAL QUESTION:

HOW WELL HAS THE CITY MET THE GOALS OF ITS GROWTH MANAGEMENT PLAN?

In his charge to the Task Force, Mayor Hedgecock defined the goals of the Growth Management Plan as "to protect the City's remote areas from sprawl development, to provide facilities and services at the time development occurs and to provide for equitable facilities financing". Consequently, in addressing the general question, the Task Force tended to link its response directly to the goals as so defined.

Future Unbanized Area

It was the consensus of the Task Force that to date the Growth Management Plan has indeed protected the City's presently undeveloped remote areas from sprawl development. This judgment was fortified by the consultant's finding that population within the Future Urbanizing Area actually declined by some 22 residents (4%) during the years from 1980 to 1984.¹

Planned Urbanizing Area

The Task Force's judgment that within the Planned Urbanizing Area facilities and services have generally been satisfactorily provided for at the time development occurs was also supported by work undertaken by the consultant. Through the use of a questionnaire, the consultant queried the residents of five communities as to their perceptions of the quality of public services. Two of those communities--Rancho Bernardo and Mira Mesa--fall within the Planned Urbanizing Area; and, in each of those communities, residents² assigned generally high ratings to the quality of services.

With regard to providing for equitable facilities financing, the Task Force affirmed a subcommittee conclusion that, "The Facilities Benefit Assessment provides a reasonably equitable method of spreading infrastructure costs in the Planned Urbanizing Area".³

Urbanized Area

In general, population growth in the Urbanized Area has exceeded expectations. More specifically, for the period 1980-85, population increase will exceed by some 148,000 persons the total populaton projected back in 1976.⁴

A Task Force subcommittee determined that public facilities and services in some communities within the Urbanized Area were inadequately funded as reflected by projected cumulative shortfalls in City revenues for capital expenditures and maintenance. The subcommittee concluded:

Continued infill, rehabilitation and redevelopment in Urbanized Area communities required a greater commitment of City capital funding than is currently available or is projected to be available in future years.⁵

Community perceptions in the Urbanized communities of Mid-City, Southeast San Diego and Otay Mesa-Nestor (as determined by the consultant survey) rank City-provided services as only fair to good.⁶ In addition, a significant percentage of survey respondents reported that the general quality of life in their communities had declined.⁷

How does our actual growth rate equate to what was predicted for the City when the plan was developed? Where has that growth taken place?

When the growth management plan was formulated, the overall City growth rate for 1980-85 was predicted to be nine percent. Actual growth rate⁸ for the same period is now estimated at eleven percent.

Growth for this period will have largely taken place in the Urbanized Area, a development contrary to earlier expectations. Thus, it had been anticipated that Urbanized Area population would increase by a mere 7,800 (or 1%) for the years, 1980-85. In fact, the increase should approximate 63,900 (9%).⁹

Population growth is due to both new housing development and socio-economic changes which affect family size. In the Urbanized Area communities new housing was responsible for about 57% of the population growth between 1980 and 1984, with increased family size resulting in the other 43%. In the Planned Urbanizing Area new housing development caused almost 90% of population growth, while family size changes only added a little more than 10%.

By way of contrast, Planned Urbanizing Area population was projected to grow during the same period by 65,000 (43%); however, its actual growth should approximate¹¹ the considerably lesser figure of 32,700 (25%).

The slow down in suburban-development and faster-than-expected growth of older urbanized area communities was in part due to national economic trends and the characteristics of housing projects in these two areas. The major 1980-1981 recession strongly impacted the ability of large-scale suburban builders to satisfy market demand. Smaller-scale infill development was less affected, and accelerated to meet the pent-up demand for housing. As the national economy recovered, the pattern of development appears to have moved back toward that of prior years, with growth in the Planned Urbanizing Area predominating.

Which communities have grown, which have contracted, and which have remained the same?

Communities that have grown most appreciably in population are the following: Clairemont Mesa; Mid-City; Otay Mesa-Nestor; Southeast San Diego; Uptown; Mira Mesa; Penasquitos East; Rancho Bernardo; and South Bay Terraces. Those communities experiencing actual declines are: Pacific Highway; Serra Mesa; State University; North City West; and San Pasqual. All other communities have experienced numerical¹² population growth in varying amounts ranging up to 3,500.

How well have facilities and services been phased and provided for? How have they been funded?

As previously indicated, the Task Force concluded, on the basis of work undertaken by the consultant, that facilities and services have been adequately phased and provided for within the Planned Urbanizing Area. More specifically, this conclusion followed from responses to a survey questionnaire prepared by the consultant and distributed to a random five percent of residents within the Planned Urbanizing Area communities of Rancho Bernardo and Mira Mesa. (It was felt that these two communities were fairly representative of all others within the Planned Urbanizing Area). With but two exceptions, all of the eight community services tested -- schools, parks, libraries, police protection, fire protection, public transit, freeways and highways, and local streets -- were rated "good" or "very good" by a majority of respondents in each of those two communities. (The sole exception was "public transit" in Mira Mesa.

As indicated above under the response to the General Question, public facilities and services within the Urbanized Area communities are and will continue to be underfunded because of existing and projected revenue

shortfalls. A full discussion of the problem is contained in the Report of the Infrastructure Financing Subcommittee, attached.

The capital costs of facilities and services supplied by the City of San Diego have been funded from a variety of sources. Within the Urbanized Area, "the City's Capital Improvement Program has historically provided the funds for transportation, drainage, parks, library, recreation facilities and fire station new construction and remodeling....." Additionally, "some park fees and federal and state grants have been used for infrastructure improvements".¹⁴

Within the Planned Urbanizing Area, capital funding of public facilities and infrastructure has been derived through use of the Subdivision Map Act; special fees and park fees; cost recovery districts; state and federal grants; special assessment districts; development impact fees; and facilities benefit assessment districts.¹⁵

Within the Urbanized Area, the funding of school capital facilities has been the responsibility of the school districts. On the other hand, in the Planned Urbanizing Area, school facilities are funded by both school districts and by developer fees in those areas where the City requires letters of school availability. The funding of freeways and other state highways has continued to be the responsibility of Caltrans in all areas.

How has our urban reserve system been used in the last five years and how have forms of development differed in the newer and infill communities?

During the past five years, the agricultural and open space usage of the City's urban reserve lands has been relatively unchanged. However, shifts in status from Future Urbanizing to Planned Urbanizing have been approved on lands associated with the projected Fairbanks Country Club, Sorrento Hills, and La Jolla Valley developments. Actual construction, resulting in changed land usage, has commenced only on the first of these projects. The bulk of the urban reserve continues to be used for agricultural (San Pasqual, Tia Juana River Valley), military (Miramar Naval Air Station), or open space and park purposes (Beeler Canyon, Los Penasquitos Canyon, Tia Juana River Valley).

The form of development (i.e., single family vs. multiple family) has differed materially within the Urbanized and Planned Urbanizing Areas during recent years. From 1980 to

1984, single family dwellings constituted but 20% of all units completed within the Urbanized Area. For the same time period, singles comprised 36% of all completions within the Planned Urbanizing Area.¹⁶

NOTES:

1. - WRT Report, p. A-7.
2. - Ibid, pp. III-7, III-12.
3. - Report of the Subcommittee on Infrastructure Financing, p.2.
4. - WRT, p. iii.
5. - Report of the Subcommittee on Infrastructure Financing, p2.
6. - WRT, pp. III-17 to III-30.
7. - Ibid, pp. III-34 to III-36.
8. - WRT - p. A-8.
9. - Ibid, p. A-1.
10. - Ibid, A-8 (figures derived by extrapolation).
11. - Ibid, pp. A-7, A-8.
12. - Ibid, pp. A-2, A-8.
13. - Ibid. pp II-7 through II-34.
14. - Report of the Subcommittee on Infrastructure Financing, p. 21.
15. - Ibid, pp 22-25.
16. - WRT , pp B-12, B-14.

III. GENERAL QUESTION:

CAN THE GROWTH MANAGEMENT PLAN ACCOMMODATE FUTURE GROWTH?

To this general question, the Task Force's answer was a qualified "yes." In terms of the raw numbers for projected population growth, market demand, and land inventory, there is more than sufficient capacity in our community plans in both the Planned Urbanizing and Urbanized Areas to accommodate population growth and the attendant need for additional housing through the year 2000.

As noted, the "yes" answer was qualified, however. Although there exists sufficient capacity to accommodate future residential growth, the realization of that capacity appears likely to effect marked changes in the type and location of future residential development.

Historically, residential development in San Diego has occurred predominantly on vacant, relatively level land. As the supply of such land diminishes, many new projects will increasingly necessitate revitalization of, and increased density on, previously developed building sites.

Future housing development should not exceed the capacities of the community plans. If determined to be necessary, housing capacity should be increased in the Planned Urbanizing Area or lands should be shifted from the Future Urbanizing Area. Some communities in the Urbanized Area are those most in need of economic revitalization and upgraded facilities and services, but, not necessarily additional housing and population growth. Extreme care must be taken to assure that accomplishment of the City's goals to preserve natural canyons and hillsides and existing man-made amenities are not lost, throughout the City, and, especially in the Urbanized Area.

How much vacant, developable land remains in our older, urbanized communities?

Table 1 shows that as of November 1983, there were approximately 11,800 gross acres of vacant land zoned for residential use in The City of San Diego. However, of these acres, only 3,100 were relatively level; with less than half (1,349 acres) in the Urbanized Area.

Table 1 - Inventory of Residentially Zoned* Vacant Land--City of San Diego, November 1983

Phased Development Area	Residentially Zoned Vacant Land	
	Relatively Level	Slopes Exceeding 25%
Urbanized Area	1,349	2,329
Planned Urbanizing Area	1,717	6,092
Future Urbanizing Area**	<u>35</u>	<u>319</u>
CITY TOTALS	3,101	8,740

All figures are in acres

Source: Table on page 15, Planning Department Report No. 83-595.

*Since November, 1983, new and amended community plans have been approved, increasing total acreage of residentially zoned land. Current vacancy and slope figures are unavailable.

**Almost all parcels with residential zoning in the Future Urbanizing Area require a minimum of one acre per dwelling unit.

Can we meet projected housing needs? Where?

The adjusted SANDAG Series 6 projections indicate that, by the year 2000, the City of San Diego will need 100,000 additional dwelling units to accommodate population growth.

While the inventory of vacant lands can suggest where some of the additional units would be constructed, it does not provide a complete picture. Some existing residential areas are underdeveloped, relative to the density designations called for by the community plans and permitted by zoning. Redevelopment of these areas to higher densities can accommodate some of the future growth. In addition, rezonings are anticipated in cases where community plans call for residential use where current zoning is for non-residential use. Both redevelopment and rezonings add to the pool of land available for new construction.

A better way of examining the where-do-we-grow question is through looking at the residential capacities of the individual adopted community plans. The residential capacity of a community plan is an estimate of the total

number of residential units which could be reasonably developed on all gross acreage designated for residential use within the community plan (irrespective of zoning or availability of services).

Table 2, summarizes data provided in the Residential Capacity Subcommittee report. The table shows the numbers of housing units in 1984 and projected for the year 2000 compared with the City's current residential capacity. Currently, only 68% of the total city-wide capacity has been developed. That is, there are 363,500 units today versus a capacity of 535,300 units, leaving an unused capacity of some 172,000 units, more than enough to provide for a year 2000 demand of 100,000 units, without encroaching upon designated open spaces.

TABLE 2 - Residential Development Capacity ¹					
Area	Estimated 1984		Projected 2000		Residential Capacity ²
	Units	% of Capacity	Units	% of Capacity	
Entire City ³	363,501	68%	463,500	87%	535,340
Urbanized Area	307,783	81%	333,700	88%	378,270
Planned Urbanizing Area	55,313	35%	129,300	83%	156,620
<ol style="list-style-type: none"> 1. From adjusted Series 6 population projections--source: City of San Diego Planning Department. 2. Sum of individual community plan capacities for respective area. Plan capacity = (<u>gross</u> acreage of each residential density category) x (density of units permitted in that category), summed for all residential density categories within the community. 3. City totals include Future Urbanizing Areas and certain military facilities in addition to Urbanized and Planned Urbanizing Areas. 					

Not surprisingly, the data confirm that major changes will occur in future housing development patterns. Where over 60 percent of new housing during the last five years was

located in the Urbanized Area, the analysis of community plans suggests that only about 26 percent of total future development will occur there through 2000. The Planned Urbanizing Area will therefore assume a substantially greater role in absorbing new development.

In addition, it should be noted that while the Planned Urbanized Area is only 35% built-out, the Urbanized Area is over 81% built-out. The remaining 19% of capacity in the Urbanized Area is projected to absorb over 26,000 additional housing units by the year 2000. The City's goals for additional housing and environmental preservation may be brought into conflict as efforts are made throughout the City to accommodate future projected growth. These goals need to be carefully balanced as we plan for the future.

Are our development regulations realistically related to future housing needs and projections?

The Task Force did not perceive substantial problems regarding the relationship of development regulations to future housing needs and projections. However, it did recommend that community plans should be developed with greater specificity, in addition to being reviewed and updated regularly. In addition, zoning should reflect the development patterns called for in community plans.

How much land must be kept in reserve both in older neighborhoods and on the fringe to define and enhance our communities?

WRT's survey found that residents perceive a decrease in the quality of life in their communities, a decline in sense of place and neighborhood identity, and lowered maintenance and care of community resources, including parks and open space. Both the Infrastructure Financing and Residential Capacity Subcommittees identified problems with present parks standards relative to acreage and maintenance. The Quality of Life Subcommittee Report provided a number of recommendations for conserving open space, canyons, and slopes.

NOTES:

1. Residential Capacity Subcommittee Report

IV. GENERAL QUESTION:

CAN CITY FACILITIES AND SERVICES KEEP PACE WITH PROJECTED GROWTH?

Primarily based on the work of the Infrastructure Financing Subcommittee, the Task Force concluded that available funding is, and will continue to be, inadequate to satisfy public facility needs in the Urbanized Area communities. More precisely, the total shortfall over the next 20 years is estimated at \$489,000,000.

For the Planned Urbanizing Area, the Task Force forecasted a distinctly more favorable situation. As a consequence of the "pay-as-you-grow" approach being pursued in relation to development within the Planned Urbanizing Area, available funding for public facilities should exceed need by some \$216,000,000 over the same 20-year period.

What deficiencies are apparent in existing facilities or are foreseeable in future facilities?

The Task Force did not attempt a detailed inventorying of apparent deficiencies in existing facilities because of time and resource limitations.

However, the Task Force did take note that respondents from the two Urbanized Area communities surveyed by the consultant reported marked deficiencies in facilities and services. Residents from Southeast San Diego assigned combined "poor" and "very poor" ratings totaling 37 percent to local streets; 34 percent to parks; and 28 percent to libraries. Mid-City respondents gave parks a combined "poor" and "very poor" rating of 22 percent.

In summary, sources of funding for facilities and services are adequate in the Planned Urbanizing Area, for the 20-year period extending to 2004. However, anticipated sources of funding for both capital construction and maintenance in the Urbanized Area for the same period result in major shortfalls.

What equitable financing mechanisms are recommended to assure that facilities are provided for as needed?

During its deliberations the Infrastructure Financing Subcommittee reviewed an Urban Institute report which evaluated the following seven alternative infrastructure financing mechanisms: gas tax; sales tax; user fees and charges; tax increment financing; privatization; hotel

occupancy tax; and non-traditional utilities. The evaluation criteria employed were these: yield; equity; relation to benefits; administrative ease/legality; political acceptability; and incentives/disincentives for economic development.⁶

No one of the above emerged as the single best all-purpose financing mechanism. Each has its strengths and weaknesses, including limitations as to applicability. Which one mechanism, or combination of mechanisms, that would function best in any given situation must inevitably be determined from a consideration of relevant factors and particular circumstances associable with that given situation. The Infrastructure Financing Committee developed a Cost Allocation Matrix to assist in evaluating the applicability of alternative financing techniques. This matrix is within the appended subcommittee report.

The Infrastructure Financing Subcommittee also investigated the feasibility of a general real estate transfer tax, however, the City Attorney opined that such a tax would be a violation of Proposition 13.

With respect to Urbanized Area communities, the Task Force concluded that facilities and services are not in keeping with General Plan standards, nor have they kept up with growth. The Task Force recommended that public facility standards for the Urbanized Area communities be reviewed for appropriateness, and that facility financing plans based on adopted community plans should be required for all Urbanized Area communities, and that funding alternatives should be examined and developed. Additionally, it was recommended that letters of school availability be required throughout the City.

Insofar as Planned Urbanizing Area communities are concerned, the Task Force found that the Facilities Benefit Assessment (FBA) approach "provides a reasonably equitable method of spreading infrastructure costs;" and recommended that the FBA program should be applied to all Planned Urbanizing Area communities "as soon as practicable."⁸

What other financing options are legally available to meet future facilities needs?

In the course of its proceedings the Task Force Subcommittee briefly reviewed infrastructure funding alternatives employed in such diverse jurisdictions as Fresno, California; Boulder, Colorado; Fort Collins, Colorado; Orlando, Florida; Portland, Oregon; and

Montgomery County, Maryland.⁹ Additionally, consideration was given to such privatization approaches as operating lease; lease-purchase agreement; and sale-leaseback.¹⁰ However, detailed study of these funding alternatives was not possible because of time and resource constraints.

NOTES:

1. Report of the Subcommittee on Infrastructure Financing,
pp. 1, 11, 12.
2. Report of the Subcommittee on Residential Capacity.
3. WRT - Part II, pp. II-17, II-22.
4. Ibid, pp. 35-44.
5. Ibid, pp. 1-3.
6. Ibid, pp. 2-3.
7. Ibid, pp. 50-51.
8. Ibid, pp. 46-47.

V. HOW CAN THE CITY'S PLANNING AND ECONOMIC DEVELOPMENT ACTIVITIES BE MORE CLOSELY TIED TOGETHER?

In the closing full paragraph of his charge to the Task Force, Mayor Hedgecock declared, "... I strongly feel that our land use policies must support our stated objective of placing jobs in areas of high unemployment". The Mayor then went on to say, "I hope you can look at this problem and suggest how the City's planning and economic development activities can be more closely tied together".

The Task Force considered that the Mayor's expressed concern related primarily to the fostering of industrial development on Otay Mesa; and, therefore, the Industrial Land Subcommittee directed special attention to that issue. In brief, it concluded that:

Otay Mesa represents a product with the economic potential to provide for additional employment of blue collar workers through basic sector industrial uses. Current land use strategies, for Otay Mesa, however, may economically preclude the ability of this area to generate significant employment opportunities for the South Bay labor market.

Additionally, the Subcommittee, as well as the full Task Force, formulated the following recommendation:

The City should make a long-term commitment to the development of the unique industrial potential of Otay Mesa. This commitment would involve the City as developer of its own property as well as a participant with the private sector in realizing the industrial and employment opportunity of the area. Among the City roles would be the following:

- City improvement of Brown Field including development of the surrounding City-owned lands to enhance the airport as well as provide a nucleus of industrial development similar to what was done adjacent to Montgomery Field.
- City should work with property owners/developers to provide the basic infrastructure including major streets, fire protection, sewer, water, and private

utilities by the most economical means possible toward the goal of producing developed land costs in the \$4.00 to \$6.00 per square foot range. Among the alternatives to be considered would be assessment bond financing, City financial participation in certain facilities, state and federal economic development grants.

- City should work with property owners/developers and the Economic Development Corporation to prepare and execute a marketing program to widely publicize and promote the Mesa's industrial potential and attract basic manufacturing and other labor-intensive activities. The financing of this extraordinary marketing effort should be supported by the property owners/developers on the Mesa, possibly through the use of an assessment procedure.
- City should work with property owners/developers to develop methods to produce and maintain an inventory of large (20+ acres) industrial sites at reasonable prices in order to attract major users. This effort would be directed toward the reduction in front end and carrying costs and moderating escalating land prices. In some instances, with a highly desirable large-scale employer, consideration should be given to further downward price adjustments to compete with the current strategies of other sunbelt cities and states.

NOTES:

- 1 - Industrial Land Subcommittee Report, p. 8.
- 2 - Ibid.

VI. OTHER SIGNIFICANT RELATED ISSUES, PROBLEMS, AND PROPOSALS

During the Task Force's deliberations, a number of issues, problems, and proposals surfaced that, while not squarely within the scope of the Mayor's charge, were nonetheless felt to warrant greater public exposure. Typically, these were not matters of original discovery on the part of the Task Force; however, the latter did feel an obligation to underscore their importance and thereby promote public discussion and, ultimately, corrective action. Their presentation below is in no particular order of priority.

1. **Preemption of designated industrial lands by commercial and other nonindustrial uses.** The Task Force affirmed the findings of previous studies as to the detrimental effects of the usurpation of planned industrial areas by nonindustrial uses. Further, the Task Force considered that remedial measures must probably include the application of more exclusive industrial zones; and that the City "should continue being an active participant in the industrial development business," since "public agencies may be the only participants with sufficient holding power to carry the burdens of major new industrial development."¹
2. **Need for large-sized (minimum twenty acre) industrial parcels.** The Task Force decried "the consistent lack of [industrial] site opportunities for large acre users."² It concluded that such lack would "continue to force local industry as well as anticipated new companies,³ to look toward other competing regions of the country"; and recommended that newly zoned industrial property be required "to provide a 20 percent reservation for large parcel users over a ten year time frame."⁴
3. **Need for the City to be a direct participant in the industrialization of Otay Mesa.** The Task Force concluded that "current land use strategies ... may economically preclude the ability of (Otay Mesa) to generate significant employment opportunities for the South Bay labor market."⁵ Consequently, it recommended that the City assume "a major part of the infrastructure costs" of the Otay Mesa industrial area in order that land costs may be establishable at levels comparable with those of competing industrial areas.⁶
4. **A Plan for North City.** The Task Force found that North City, including the City's sphere of influence, represents "the most significant demand for

high-industrial use in the industrial market for office, R & D space, and technology based industry."⁷ In view of this strong industrial interest attaching to North City, it was felt desirable that certain basic planning determinations be made. Therefore, the Task Force recommended that a generalized land use and phasing plan be prepared for the entire North City area.

The reasons for this recommendation include, (1) the realization that pressures for urbanization within the Future Urbanizing Area are great and can be expected to increase; (2) there may be a need to increase industrial land availability; and (3) historically, the land planning process for major new areas has been in a broad range, but in the order of 10 years, more or less. The generalized land use and phasing plan would also allow the study of land use interrelationships and assist in the avoidance of what might otherwise later be seen as planning mistakes. Such a plan would also tend to shorten the lead time necessary to bring developable land to market once it has been determined that such land should be shifted out of the Future Urbanizing Area.

5. **"Pay-as-you-grow" versus increased housing costs.** The Task Force recognized the inherent dilemma in pursuing a "pay-as-you-grow" financing policy in the Planned Urbanizing Area; namely that the imposition of assessment and exactions on new development inevitably translates into higher housing costs and prices. Nevertheless, it felt that continuation of this financing policy was mandatory for the foreseeable future.
6. **Desirability of differing public facility standards for the Urbanized and Planned Urbanizing Areas.** The Task Force concluded that, "Due to financial and physical limitations, and other factors, public facility standards applicable to suburban Planned Urbanizing Area communities cannot feasibly be applied to Urbanized Area communities."¹⁰ Consequently, it recommended that City staff undertake a thorough study of public facility standards to determine what differentials as between the Planned Urbanizing and Urbanized Areas might be reasonably established. Such a study could be undertaken in conjunction with the upcoming comprehensive review of the City's General Plan.¹¹

7. **Requirement for Phasing and Facility Financing Plans.** In view of the City's overriding responsibility to assure that an adequate level of public services and facilities is provided as growth occurs, the Task Force recommended that realistic phasing and facility financing plans be required components of all Urbanized Area community plans¹² as well as of all Planning Urbanizing Area community plans.
8. **Need for regional planning cooperation and coordination.** The Task Force clearly recognized that the City's Growth Management Plan operated within the context of the San Diego Region; and, that it both impacted upon, and was impacted by, adjacent jurisdictions. In fact, unless a fairly high degree of interagency cooperative and coordinated planning were achieved and maintained, the City's growth management efforts could well be substantially negated.¹³
9. **Increased attention to natural resource preservation.** As urbanization proceeds, lands containing natural resources of special value will come under increased urbanization pressures. Yet as the city grows, retention of these values takes on greater importance. The Task Force recommended that special attention be given to flood plains, canyons and other steep slopes, special vegetation and wildlife, and all other natural resources of unique value to San Diego.
10. **A heightened priority for urban design.** The Task Force believed that the potential of urban design to positively affect the quality of life for all San Diegans must be more generally acknowledged and effectively realized. To further these ends, the Task Force recommended that the City's urban design program be adequately funded, and that urban design staff be enabled to participate at an early stage in the planning and design of all public projects.¹⁴
11. **Need for an expanded mass transit system.** The Task Force fully supported the related propositions that: (a) a balanced transportation system is critical to enhancing the quality of life for San Diegans by "avoiding future congestion, providing all options of travel, and minimizing air pollution"; and (b) an expanded mass transit system is essential to San Diego's achievement of a balanced transportation system. Consequently, the Task Force recommended strong continuing efforts to develop local funding sources and implementation mechanisms that will hasten

the realization of an appropriately expanded mass transit system. The mass transit plan should be implemented sufficiently in advance so as (a) to allow various planning projects and community plans to be modified to accommodate proposed transit facilities, and (b) to assure that transit facilities will be operational in time to meet (rather than lag behind) the transportation₁₅ needs which will accompany projected population growth.

12. **Need to facilitate private development approvals where proposed development is consistent with relevant plans.** As an important means of fostering plan implementation, the Task Force recommended that City staff be directed to facilitate the processing of private development proposals where these are clearly consistent₁₈ with approved community or other relevant plans.
13. **Need to provide balanced land use mixes.** Continuation of the significant increases in housing costs that have occurred in the recent past will negatively impact the City's ability to maintain a balanced industrial base, which base affords a wide range of job opportunities. Accordingly, the City should have a continuing program to provide a cross-section of housing opportunities throughout the City. Housing should be conveniently located in proximity to the employment base, taking into account physical restraints to development.
14. **Need for community plans to assure implementation of the Growth Management Plan.** The Task Force recognized that the individual community plans are the principal planning documents for implementing the General Plan, and hence, the Growth Management Plan. Accordingly, the Task Force recommended that each community plan should include a growth management element, so as to assist community residents in developing an improved understanding of what growth management means to their community and of the community's relationship to the City-wide Growth Management Plan.
15. **Need for improved plan implementation and monitoring.** The Task Force was strongly cognizant of the need to maintain plans in as updated a status as practicable, in order that they may serve more effectively. Consequently, it recommended that the City's plan monitoring capabilities be significantly advanced, and that necessary₁₆ plan adjustments be promptly identified and processed.

16. **Need to monitor public perceptions.** The Task Force further recommended that surveys of the public's perceptions of levels of community services and the quality of life be regularly undertaken and the result incorporated within the City's development monitoring system. Also, the City should survey residents of the five monitored communities to find out their reasons for the perceived decrease in the quality of life in their communities.
17. **Need for ongoing monitoring and evaluation of the Growth Management Program.** The Task Force recognized that the various forces to which the Growth Management Program responds are dynamic. As these forces continue to evolve the Growth Management Program should be monitored, both to assure its implementation and to evaluate its effectiveness. To these ends, the Task Force recommended, first, that in 1989 the Growth Management Program should undergo a second comprehensive examination modeled after the current Task Force review. Second, it was recommended that the Planning Commission retain an independent consultant to conduct an annual audit of the City's planning activities to determine their conformance with the Growth Management Plan, a report of which audit would be returned to the Planning Commission for public discussion.

NOTES:

1. Industrial Land Subcommittee Report, p. 4
2. Ibid., p. 6
3. Ibid., p. 8
4. Ibid.
5. Ibid.
6. Ibid., p. 9
7. Ibid., p. 7
8. Ibid., p. 8
9. Infrastructure Financing Subcommittee Report, p. 1
10. Ibid.
11. Ibid., pp 1-2
12. Ibid., p. 2
13. Quality of Life Subcommittee Report, p. 2
14. Ibid., pp 3-4
15. Ibid., p. 4
16. Residential Capacity Subcommittee Report, p. .
17. Transcript of Task Force Meeting of November 9, 1984.
18. Ibid.



ROGER HEDGECOCK
MAYOR

February 6, 1984

TO: GROWTH MANAGEMENT REVIEW TASK FORCE
FROM: MAYOR ROGER HEDGECOCK

I want to thank you for offering to serve on this Task Force. You face a difficult, but rewarding set of tasks.

I proposed formation of your Task Force in my State of the City Address on January 9, 1984. The City Council has reviewed my proposal and concurred with it. They and I ask that you submit your final report and recommendations by October 1, 1984.

As most of you know, San Diego's Growth Management Plan is more than five years old. My perception is that the plan is a good one. I agree with its goals and objectives. I feel it has helped us retain a quality environment and achieve unprecedented economic prosperity.

However, in the fact of continued growth, I feel the plan must be evaluated, and if necessary, strengthened in order to avoid the problems faced by other fast growing areas such as Los Angeles.

Specifically, I am asking you to respond to the following questions:

1. How well has the City met the goals of its Growth Management Plan?

The goals of the Growth Management Plan are to protect the City's remote areas from the sprawl development, to provide facilities and services at the time development occurs and to provide for equitable facilities financing. You are being asked to determine how well those goals have been met during the past five years? How does our actual growth rate equate to what was predicted for the city when the plan was developed? Where has that growth taken place? Which communities have grown, which have contracted and which have remained the same? How well have facilities and services been phased and provided for? How have

they been funded? How has our urban reserve system been used in the past five years and how have forms of development differed in the newer and infill communities?

2. Can the Plan successfully accommodate future growth?

If preliminary forecasts are correct, San Diego will continue to grow. The challenge will be to provide for that growth in a manner that preserves our unique quality of life and provides continued economic prosperity.

You are being asked to review all available data and determine realistic population projections and housing needs to the year 2000. Based on that analysis, you will then be asked to determine whether changes in the plan are needed. I would hope that you can help us answer questions such as the following?

- How much vacant, developable land remains in our older, urbanized communities?
- Can we meet projected housing needs? Where?
- Are our zoning and development regulations realistically related to future housing needs and projections?
- How much land must be kept in reserve both in older neighborhoods and on the fringe to define and enhance our communities?

3. Can City facilities and services keep pace with projected growth?

Certain of our older neighborhoods are experiencing serious facilities deficiencies and yet are projected for additional development without needed financing. In addition, in our newly developing communities, the costs of public facilities are borne exclusively by new development even where some benefits accrue to the City as a whole. The impact on housing prices is significant.

You are being asked to review future growth trends and to identify existing and future facilities deficiencies. Based on that analysis, we ask that you recommend equitable financing mechanisms to assure that facilities are provided for as they are needed.

In the course of your deliberations, I hope you can identify all financing options that are legally available to us to meet our future facilities needs.

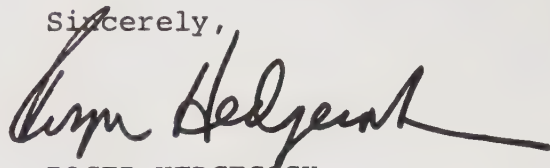
The primary focus of your efforts should be the accommodation of residential growth. Nevertheless, I hope you can briefly study one other issue. I feel that the City's planning program has failed to treat growth management and economic development as mutually supportive activities.

Growth Management
Page 3
February 6, 1984

As mentioned in my State of the City Address, our continued economic prosperity is directly related to our ability to successfully manage growth. In addition, I strongly feel that our land use policies must support our stated objective of placing jobs in areas of high unemployment. I hope you can look at this problem and suggest how the City's planning and economic development activities can be more closely tied together.

Once again, my sincere thanks to you and best wishes in your deliberations.

Sincerely,

A handwritten signature in dark ink, appearing to read "Roger Hedgecock", with a long horizontal flourish extending to the right.

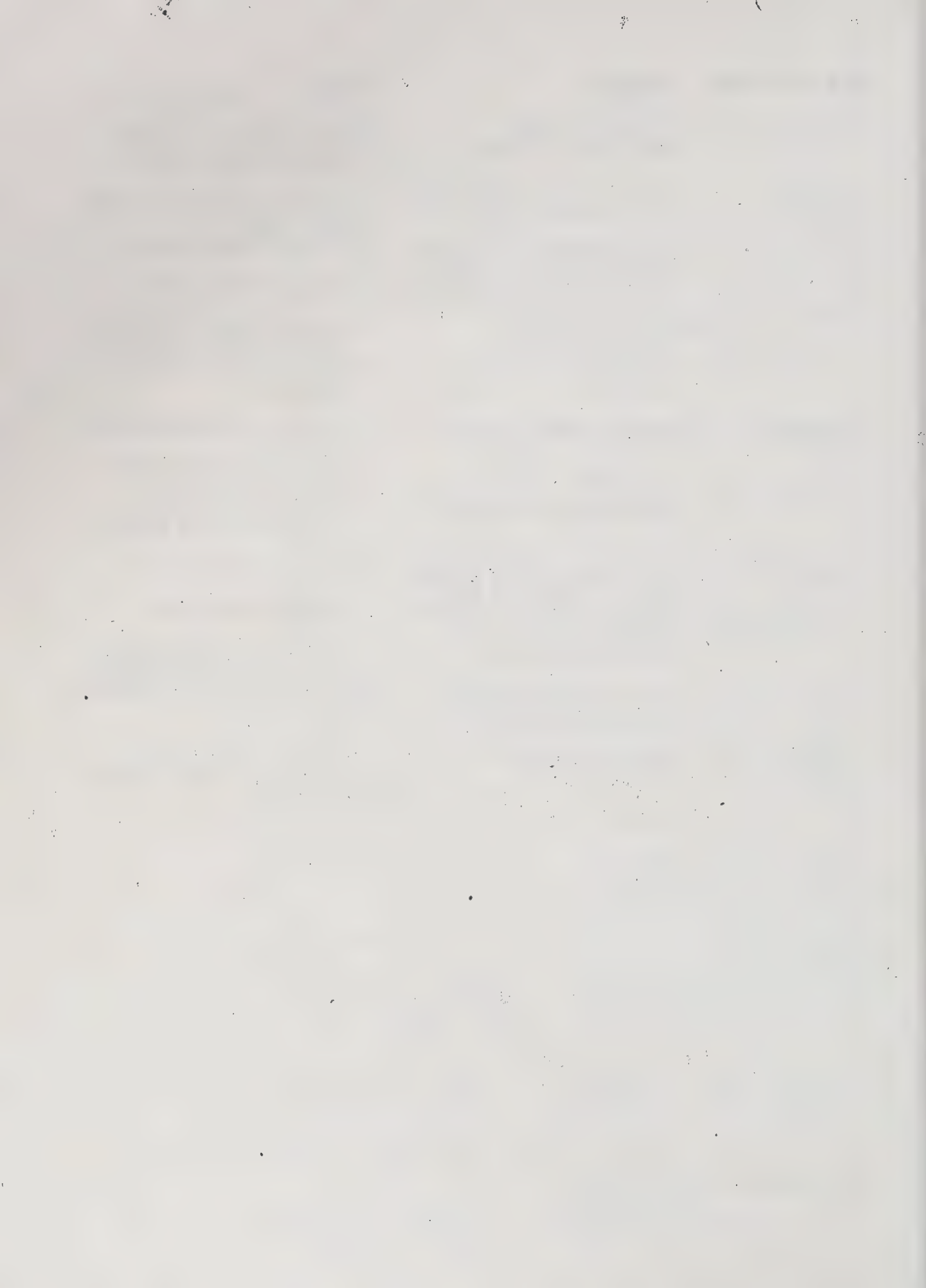
ROGER HEDGECK
MAYOR

SCHEDULE OF TASK FORCE MEETINGS

DATE OF MEETING	SPEAKERS	TOPICS
2/6/84	Mayor Roger Hedgecock Chairman Tawfiq Khoury	Introductory Remarks and charge to the Task Force Task Force Organization
2/16/84	Tim O'Connell, Planning Staff Stuart Shaffer, SANDAG Tim O'Connell, City Planning Staff	History of Growth in the San Diego Region Series 6 Regional Growth Forecasts/Land Availability Choices: Growth Limitation or Growth Accomodation Implications & Impacts of the Choice
3/2/84	Tim O'Connell, City Planning Staff Rick Morey, Randy Hurlburt, County of San Diego Tim O'Connell, City Planning Staff Chairman Tawfiq Khoury	Regional Plan Alternatives Planning Function and Growth Management Function of San Diego County City's Growth Management Program Environmental Policy- Maintaining the Quality of Life Economic Policy - Employment Fiscal Policy - Paying for Public Services Requested Consultants be Re- tained by the Task Force to Review General Plan/Growth Management Strategy
4/13/84	Ernest Hahn, Chairman Gary Weber, Chairman Dave Nielsen, Mayor's Asst. Lee Okeson, City Planning Staff	Progress Report of Industrial Development Subcommittee Progress Report of Residential Capacity Subcommittee Report on Growth Management Efforts and Intraregional Cooperation Implementing the Plan: The Regulatory Process
4/27/84	John Fowler, Deputy City Manager Libby Anderson, City Financial Management Director	Financing Public Facilities
5/11/84	Captain Montoya, U.S. Navy Lt. Cmdr. Scott Shepard, U.S. Navy Kim Kilkenney, Legislative Analyst, Construction Industry Federation	Naval Regional Plan Public Facility Financing

DATE OF MEETING	SPEAKERS	TOPICS
5/25/84	Paul Sidhu, Air Pollution Control District Barry Hogan, Planning Director, Poway Roger Graff, City Water Utilities Ladin DeLaney, Water Quality Control Board Carl West, CalTrans	Annual Report Summary Poway: Growth Management Plan Metro Wastewater Collection and Treatment Facilities Water Quality Standards and Controls CalTrans Long-Range Concepts/Future Projects
6/8/84	Tom Larwin, Eva Lerner-Lamb, Metropolitan Transit Development Board Tom Payzant, Superintendent, San Diego Unified School District Robert Colegrove, Superintendent, San Ysidro School District Rodney Phillips, San Dieguito Union High School District Lawrence Michaels, San Diego County Water Authority	Regional Transit Plan Growth and its Effects on School Districts Growth and its Effects on School Districts Growth and its Effects on School Districts Regional Growth and the Availability of Water
7/16/84	James Schmidt, President, Great American Federal Aaron Kolkey, President, Building Ind. Assn. Robert Freilich, Consultant to Task Force Chairman Tawfiq Khoury	Accommodating Growth in the San Diego Area Growth Management: Infill and Low-Cost Housing Update on the Growth Management Plan Consultant Services
8/3/84	Louis Wolfsheimer, Bill Rick, Interested citizens John Wilhoit, City Planning Staff Homero Reyes, Paulino Ramirez Fernandez, State Office of Economic Dev., Baja, California	Evaluation of Current Growth Management Plan; Residential Growth in San Diego's North County Mid-City Plan - Problems with Infill and Public Facilities Tijuana: Current Status and Future Projections
8/24/84	Armand Campillo, Jim Mueller, Will Sniffin, Max Tibbetts, Water Utilities Department Ernest Hahn, Chairman Mac Strobl, Economic Development Corporation	Tijuana/San Diego Sewerage Problem Industrial Land Subcommittee Report Update EDC Research Report

DATE OF MEETING	SPEAKERS	TOPICS
9/14/84	Al Davis, SDG&E Gary Weber, Chairman	Energy Supply and Growth Residential Capacity Sub- committee Report Update
10/12/84	Author Hughes, Chairman David Hamme, Toni Seymour, Wallace Roberts & Todd Walter Ladwig, County Planning Director Mark Baldassare, Associate Professor of Social Ecology, UC Irvin	Quality of Life Subcommittee Report Update Consultant Status Report Planning of Chino Hills Suburban Industrialization: Density, Diversification and Changing Public Attitudes
10/26/84	Author Hughes, Chairman Gary Weber, Chairman John Thelan, Chairman	Quality of Life Subcommittee Draft Report Residential Capacity Sub- committee Draft Report Infrastructure Financing Subcommittee Draft Report
11/9/84	David Hamme, Toni Seymour, Wallace Roberts & Todd Martin Leitner, Freilich, Leitner and Carlisle Entire Task Force Mike Stepner, Assistant Planning Director	Consultant Final Report Consultant Memorandum Consideration/Modification of Each Subcommittee Report Preliminary Outline for Final Report
11/26/84	Entire Task Force	Wording Finalization of Subcommittee Reports/Cover Statement



TASK FORCE REPORT TO THE CITY COUNCIL

December 1984



CITY OF SAN DIEGO

GROWTH MANAGEMENT REVIEW TASK FORCE

INDUSTRIAL Subcommittee Report

**CITY OF SAN DIEGO
GROWTH MANAGEMENT REVIEW TASK FORCE**

**SUBCOMMITTEE ON
INDUSTRIAL LAND**

COMMITTEE MEMBERS:

ERNEST HAHN, ERNEST W. HAHN, INC.
JACK THOMAS, SAN DIEGO GAS & ELECTRIC
JOHN HANSON, SOLAR TURBINES, INC.

EX-OFFICIO:

DANIEL PEGG, SAN DIEGO ECONOMIC DEVELOPMENT CORP.

STAFF:

TIM O'CONNELL, CITY OF SAN DIEGO

August 22, 1984

CONTENTS

I. Objectives	1
II. Background	1
A. Population/Labor Demand	1
B. Industrial Land Inventory	1
C. Land Absorption	3
D. Land Use	3
E. Industrial Market Evaluation	5
F. Industrial Facility Inventory	6
III. Analysis	6
IV. Conclusions	9
V. Recommendations	11
Appendix 1	19
Appendix 2	39
Appendix 3	42

LIST OF TABLES

Table 1	San Diego County Planned Industrial Acreage by Area (Gross versus Net) Spring 1984	13
Table 2	San Diego County Planned Industrial Areas (Over Ten Acres Gross) Spring 1984	14

LIST OF EXHIBITS

Appendix 1

Exhibit I	Population & Employment Forecasts for San Diego	21
Exhibit II	Report to the Subcommittee by the San Diego Economic Development Corporation	22
Table 1		27
Table 2		32
Exhibit III	MSA 1 Industrial Lands, Map 1	33
Exhibit IV	Industrial Land Availability	34
Exhibit V	Industrial Land Data Comparison EDC/SANDAG	36
Exhibit VI	Industrial Land Absorption Major Statistical Area 1 (City of San Diego)	38

Appendix 2

Exhibit I	City of San Diego Major Industrial Areas, Use of Industrially Zoned Parcels	40
Exhibit II	City of San Diego Major Industrial Areas, Use of Developed Industrially Zoned Parcels	41

Appendix 3

Exhibit I	San Diego County Industrial Space Availability	42
Exhibit II	San Diego County Industrial Space Absorption and Vacancy Rates	43
Exhibit III	Letter to Grubb & Ellis (plus attachments)	45

Summary Page

Exhibit IV	Letter to M/A-Com Linkabit, Inc.	49
Exhibit V	EDC Related Facility and Land Absorption	51

REPORT OF THE INDUSTRIAL LAND SUBCOMMITTEE
TO THE GROWTH MANAGEMENT TASK FORCE
CITY OF SAN DIEGO

I. Objectives:

The objectives of the Industrial Land Subcommittee to the Growth Management Task Force, City of San Diego, are three fold:

To undertake a review of the City's Growth Management Plan as it relates to industrial land.

To analyze the current industrial land inventory in San Diego and its ability to meet the demands of the industrial marketplace as well as the region's growth requirements up to the year 1995.

To offer recommendations for industrial land use policies to insure adequate acreage to meet the demands of the industrial marketplace, while recognizing the need to obtain a more balanced social and economic structure for the City of San Diego and the region.

II. Background:

An array of data was gathered and analyzed relative to the question of industrial land availability and supply: 1) San Diego County regional population and related labor demand requirements by the year 2000; 2) verification of the industrial land inventory - reconciliation of differing reports; 3) industrial land absorption data; 4) report on actual uses associated with industrial property in the City of San Diego; 5) and discussions with industrial real estate brokers and high technology industry representatives to provide a market perspective of the factual data.

A. Population/Labor Demand: Exhibit 1 in Appendix 1 illustrates the growth expected for the region in terms of population and related labor demands from 1983 through the year 2000. The Economic Development Corporation (EDC) requested Sourcepoint to conduct the study utilizing the existing San Diego Association of Governments (SANDAG) Series VI Forecast data. The results show a population increase of 35% to 2.7 million for the entire region by the year 2000. Demand for employment over the same period will increase 339,784 to a total employment demand of 1,087,407.

B. Industrial Land Inventory: Exhibit II in Appendix 1 reflects the research efforts of the Economic Development Corporation to determine an accurate assessment of the

present industrial land inventory in San Diego county. Through discussion with brokers representing numerous properties as well as specific developers, EDC was able to generate data reflective of the gross and net acreage currently available and due to become available in the near future. The exhibit shows 13,884 gross acres of industrial land currently available in San Diego County. However, total net acreage for the county is 10,092 with 968 acres presently committed to use through speculative development activity or not available in the market place for other reasons - bringing the estimated net acreage available for purchase by developers or users to 9,124 acres. Of this total, 1,919 net acre are or will be available by 1995 in the northern areas of the City of San Diego - 21% of the region's total. To further substantiate EDC's data base, two other reports on industrial land were examined to determine the exact nature of any major variations in the data.

Rick Engineering produced an industrial land inventory report for the MSA 1 area of the county, as shown in Exhibit III in Appendix 1, by examining tentative subdivision maps. (The MSA 1 area reflects the majority of the industrial land opportunities in the City of San Diego, excluding the land anticipated to be annexed on Otay Mesa.) Total net acres available according to the Rich study is 2,056. This figure is 137 acres (7%) more than the comparable data from the Economic Development Corporation. The difference in the two figures is attributable to variations in industrial land "net utility" judgments.

One additional summary of industrial land availability is discussed in a draft report prepared by SANDAG entitled "Regional Economic Development Strategy Update." The section relating specifically to industrial land is reproduced in Appendix 1 as Exhibit IV. SANDAG's data shows 26,539 gross acres of industrial land by the year 2,000. Of that figure 10,339 acres are developed and in use, leaving a total gross acreage figure of 16,200 for development between 1980 and the year 2000. Exhibit V illustrates the comparison between SANDAG industrial land data and EDC data. The SANDAG information indicates a large abundance of industrial property which suggests sufficient inventory for industrial purposes. Upon closer examination, however, much of this property will be located outside of the City of San Diego. Variations between the reports were reviewed by EDC staff with representatives from SANDAG, satisfying the Economic Development Corporation with regard to the validity of its analysis.

The subcommittee has chose to utilize the land inventory information submitted by EDC to serve as the data base for this report. This information reflects the most comprehensive overview of industrial land for the entire county - taking into consideration the geographic and market realities of the industrial market place for the region. This data is generally confirmed by the Rick report, the SANDAG report, and the brokerage community (See Tables 1 and 2 at the end of the narrative).

- C. **Land Absorption:** Historically, industrial land absorption information has not been maintained on a statistically sound basis. Exhibit VI in Appendix 1 reflects an attempt to quantify the absorption question by compiling data from recorded final maps with the City of San Diego for the MSA 1 area. The figures in this chart represent industrially zoned land that has an approved final map recorded on it; this does not necessarily imply that development or construction has taken place. The data suggests that over the past five years an average net of 365 acres was required by the industrial market place to meet the demand for speculative development or user purchases within the City of San Diego. This figure does not represent true land absorption. It is reasonable to assume, however, a correlation between maps filed and investment undertaken based on demand and the eventual use of the land in the near term. The industrial requirement for the balance of the region would appear to be 100-200 acres per year - suggesting a total regional need of approximately 500 acres annually.

The alternative figure suggested by SANDAG is an average of 375 gross acres per year required for industrial application on a regional basis. This figure is developed via an econometric model that is predicated on the number of jobs forecasted to be created annually through the year 2000. It is opinion of EDC, development interests, and the brokerage community that this model understates the demand for industrial acreage in conjunction with anticipated employment to be created within the region. (The SANDAG model is structured in such a manner that it does not recognize the need for industrial property in anticipation of employment generation - the model assumes that employment, on an incremental basis, is the cause for industrial property demand.)

- D. **Land Use:** San Diego City Planning staff reviewed the status of industrially zoned parcels to determine their actual use. Similar studies performed in 1968 and 1977 allow identification of general trends over time. The current data is included in Appendix 2. Generally, what is shown is that

a substantial portion of the land zoned for industrial use in San Diego's major industrial areas is in fact used for some nonindustrial purpose, mostly commercial. The details differ depending upon a number of factors, including the period when the area was first developed, the sophistication of the industrial zones originally applied to the property, whether the area was developed by a single or multiple owners, and whether there was a public agency participating in the development, but generally the older industrial areas have a high proportion of retail and service commercial users, while the newer areas have a higher percentage of multi-tenant commercial office developments.

The pattern has not changed significantly since 1968. As was reported in San Diego's Industry 1969-1990 a Planning Analysis, prepared by the City Planning Department, Kearny Mesa West had 52.8% of its developed land used for industrial purposes, with 42.6% used for commercial and the balance for other nonindustrial purposes. In 1977 about 48% of Kearny Mesa West was used for industrial purposes, with the balance in nonindustrial uses. In 1984 the land in Kearny Mesa West is about 53.1% industrial, with 45.5% committed to commercial uses. Some areas, such as Rancho Bernardo where large lots predominated until recently, have very high industrial use rates. Other industrial areas, such as Scripps Ranch, are more office/business parks' with small lots and multi-tenant buildings.

Four causes of industrial land preemption by commercial uses were identified in the 1968 study, and they remain true today:

1. Permissive zones allow commercial uses to compete for land intended for industrial use.
2. Major industrial areas are located along major thoroughfares in or near rapidly growing residential communities. Because of the high traffic volumes and relative scarcity of other sites, commercial users wishing to serve the residential area prefer to locate in these areas.
3. Subdivision patterns create a large number of small lots which encourage piecemeal development by small land users.
4. Land prices increase as result of the first three factors. This occurs despite the fact that it would be impossible for all sites to be used for commercial purposes. The fact that nonindustrial development seems

equally available for each individual parcel and that such development has brought commercial-land prices to some owners, tends to drive up the price for all remaining vacant land.

Just as the 1968 analysis of the problem is still valid today, so are the recommended solutions from that study. This was recognized by the 1977 Mayor's Ad Hoc Industrial Element Task Force responsible for drafting the Industrial Element incorporated in the Progress Guide and General Plan as part of the Growth Management Program. The Mayor's Task Force came to the same conclusions after evaluating the situation in 1977. First, modify the industrial zones to prohibit commercial uses. Second, require larger lot sizes for industrial parcels. Third, zone commercial service areas within industrial parks to provide the necessary support to manufacturing, research & development and big office complexes, e.g. professional services, restaurants, office supplies. (These areas should not be located so as to serve the nearby residential community, or they will become commercial shopping centers, defeating their original intent.) Finally, based on the success seen in the Kearny Mesa East area, the City should continue being an active participant in the industrial development business. In today's economic climate, public agencies may be the only participants with sufficient holding power to carry the burdens of major new industrial development.

- E. Industrial Market Evaluation:** EDC, in conjunction, with its data gathering efforts, undertook several discussion sessions with representatives from major commercial brokerage houses: Coldwell Banker, John Burnham, and Grubb & Ellis. Exhibit III in Appendix 3, shows the letter sent to the brokerage representatives in preparation for their meetings with EDC. The brokers were asked to assist in the determination of a current, realistic industrial land inventory; the geographic preference of companies; and the potential market demand for various types of industrial property from their perspective. Additional input from an industry view point was obtained through a second data gathering session with selected San Diego business leaders in technology based industries (see Exhibit IV, Appendix 3). These leaders (members of EDC's High Tech Advisory Council) were asked to express their opinions and impressions of the availability of industrial land for expansion purposes and the geographic preferences of technology-oriented companies in San Diego. The basic findings from both groups indicate that San Diego is not a single market relevant to industrial land opportunities or the geographic preferences of companies. High technology oriented companies comprise 40% of the recent demand for industrial facilities with expected growth to around 60%; land costs and facility lease rates

have become prohibitively high from an industry perspective; proximity to advanced technical/research universities, reasonably priced housing opportunities, good K-12 education, and short commute times are critical location factors for industry.

- F. Industrial Facility Inventory:** EDC conducted a survey of industrial facilities during the 2nd quarter of 1984 which has identified 30.6 million square feet of existing industrial space within San Diego County. At that time, 12% or 3.6 million square feet of existing space was vacant. An additional 3.8 million square feet of space was under construction with approximately 160,000 square feet preleased, and 3.4 million square feet of facility space proposed to be developed in the near term. (Existing vacant space and facilities under construction totaling 7.4 million square feet represent something in excess of 500 acres of industrial property - assuming a 3 to 1 facility to ground ration.) EDC's occupancy analysis of 3.4 million square feet of new industrial facility space available subsequent to March 31, 1983 shows an absorption of 1.3 million square feet as of April 1984 - an absorption rate of 38% (Exhibit II, Appendix 3).

III. ANALYSIS

San Diego's industrial marketplace has undergone tremendous change over the past three to five years. Initially, the demands made on industrial facilities and land were for pure "industrial" activities such as large scale manufacturing, warehousing or distribution. In conjunction with the national trend to move manufacturing to off-shore facilities to take advantage of lower production costs, San Diego is experiencing an increasing interest from technology oriented industries. These industries meet site locations with an existing technical labor force and the ability to retain this labor force, among other factors. It is the general consensus of the brokerage community that in San Diego the "high tech" orientation of the industrial marketplace is presently about 40%, with the balance representing existing industry - manufacturing, warehousing and, to some extent, distribution. As a result of this dual marketplace, there are very specific demands and geographic preferences based on cost parameters, labor force requirements, quality of life factors, proximity to technically advanced educational facilities, commute times, etc.

It is the Subcommittee's opinion, upon detailed review of the background material, that San Diego County effectively divides itself into three distinct geographic markets, with respect to new industrial facilities and land opportunities. These three

areas - East County/South Bay, North City, and North County - in addition to their geographic separation, contribute a different product mix to the industrial marketplace based on price relationships and the apparent capability of each area to generate interest by type of industry.

- A. East County/South Bay** is capable of maximizing the opportunity represented by its abundant blue collar workforce to attract labor intensive/assembly type operations as well as provide reasonably priced warehouse and distribution facilities. This capability is reflective of the higher than average unemployed workforce to be found in several South Bay communities. Potential industrial land opportunities reflect the ability of the area to promote basic industrial interests if it can maintain a per square foot land cost basis of \$4.00 - \$6.00 and/or facility lease rates of \$.40 - \$.60 per square foot monthly. Absent efforts to effectively promote industry investments capable of providing employment opportunities for this blue collar workforce, local public agencies will be confronted with increased social problems and costs, and this market area will remain unproductive.

The effective industrialization of this area (skilled workers employed at wage scales ranging from \$7.00 - \$20.00 per hour) will do much to upgrade the quality of life within this area. It is fair to assume that San Diego can successfully accommodate all facets of demand for employment in the next decade, if we reverse the trend that is greatly reducing employment in the next decade, if we reverse the trend that is greatly reducing employment in this economic sector. Recent absorption of industrial acreage has been predicated on growth within the high tech and service industries. Little public policy consideration has been given to the potential reversal of the blue collar skilled employment decline as a percent of total employment.

- B. North City** has been primary choice for corporate headquarters, research and development, and technology oriented companies. This trend is still prevalent due to its central location, proximity to technically advanced educational opportunities, variety of housing costs, and the highly skilled, professional orientation of the existing labor base. Discussions with representatives of the industrial brokerage community as well as local leaders of technology based companies clearly indicates that the types of businesses attracted to the North City area are not interested in the potential industrial environment anticipated for Otay Mesa. On the other hand, a percentage of these same businesses will consider the North County area for site alternatives if sites are unavailable to too expensive in the North City.

- C. **North County** effectively blends both types of industry demand as a result of being able to offer two different types of product. High end "R&D" space is available as well as reasonably priced distribution or basic manufacturing sites or facilities. The make-up of the regional labor base is also varied and can provide ample employment opportunities for numerous types of industries. North County communities still have an abundance of land and are presently in the process of expanding their industrial land inventory to include areas which are not now designated for use.

As mentioned in Exhibit 2 of Appendix 1, the region will need 339,000 new jobs by the year 2000 to create a marginal unemployment rate of 6%. To effectively deal with employment and population growth, the County as a whole must provide ample opportunity and variation in its industrial land product to allow for appropriate industry expansion to accommodate this employment demand. In conjunction with this need, there appears to be a declining interest in the creation of semi-skilled, unskilled, and blue collar industry opportunities within the region. In Exhibit IV of Appendix I, SANDAG also concludes that higher growth rates will occur in the service employment sector of the labor base, not in the basic manufacturing sector. Efforts to breakdown current unemployment rates by subregional areas further substantiate these claims, with areas having a labor base primarily of blue collar workers exhibiting higher unemployment rates.

Going back to 1968 and 1977, reports by the City of San Diego have shown the diversion of industrially zoned property for other uses - notably for commercial, wholesale and retail applications. Although these other uses may have had positive effects on the economy, they have constrained the ability of the private sector to provide basic manufacturing opportunities. As mentioned before, a transition is going on in San Diego's industrial marketplace to a more research and development/technology oriented focus. To fully maximize the potential of this transition, the San Diego region must be in a position to capture the numerous manufacturing opportunities which will be associated with much of this R&D activity, especially as it relates to the emerging biomedical and biotechnology industry developing in San Diego. To effectively achieve this goal, the region must provide industrial land and facilities at reasonable rates to successfully capture the projection efforts that such technology will generate.

To further illustrate the point in discussing fiscal and marketing constraints for San Diego, with competing regions around the country offering significantly lower industrial

land costs in the \$2.00-\$3.00 per square foot range, it is clear that industry will seriously consider site alternatives outside of San Diego for expansion or relocation purposes. As a result, San Diego must continuously evaluate its potential not only from what exists within the region, but also from the viewpoint of competing alternatives in other areas.

The final point to be made by the Subcommittee deals with the consistent lack of site opportunities for large acre users (20 + acres or more). Historically, this has been a difficult issue to address because of the apparent disinterest, due to market and economic factors, on the part of the private sector to provide large acreage opportunities. In the past, this problem has been solved to some extent by the development of City industrial property, the opportunities provided by lands under the authority of the Port District, and by the emergence of planned communities with industrial parks such as Rancho Bernardo. Presently, there exists minimal alternatives for large-scale acreage users. Past practices by developers in optimizing the return on their industrial property by extensive multi-user parcelization has resulted in very few large parcels being available at competitive market pricing. Carmel Mountain Ranch, Carlsbad Research Center and Rancho del Oro illustrate the present private sector opportunities that do not preclude large scale manufacturing or other similar basic industrial activities. However, within the City of San Diego, identifiable large parcels could easily be absorbed by one or two major land users, precluding the ability of the City to pursue future basic industrial interests.

IV. CONCLUSIONS

San Diego County effectively divides itself into three distinct markets based on geographic parameters, pricing, and variations of industrial land product to meet market demand -- North City, North County, and East County/South Bay.

- A. **North City** represents the most significant demand for high-end use in the industrial market for office, R&D space, and technology based industry. Total acreage anticipated from now through 1995 is 1,919 net acres. This amount of acreage is insufficient to meet anticipated demand by this area over the next ten year.
- B. Light manufacturing/technology oriented industries and come R&D, which are cost sensitive, will go to the **North County** for price, size and quantity of industrial land. Total net acreage currently

available or to be available is 3,277 acres - sufficient quantity to accommodate a significant proportion of the demand associated with North City.

- C. East County/South Bay** (including Otay Mesa) could continue to be attractive to labor intensive, basic manufacturing and come distribution activity if facility space can be provided in the \$.40-\$.60 per square foot monthly lease range. Comparable buildable land costs will need to be \$4.00-\$6.00 per square foot in order to effectively capture a user market sector as well. It will take a commitment on behalf of the City of San Diego to facilitate these critical cost relationships. Total acreage designated for industrial use in the Otay Mesa areas is 3,500 acres.

To accommodate anticipated employment demand for jobs through 1995, the County as a whole must provide ample opportunity and variations in its industrial land product to allow for appropriate industry expansion.

There are different absorption/demand figures offered relevant to the North City area (MSA 1) suggesting a range of 250-400 acres per year. In the final analysis, the differences between the figures do not alter the Subcommittee's conclusion that the City should make the decision to choose to encourage the attraction of industry within the boundaries of this areas of the City, or allow it and its revenues to migrate to the North County or outside the region.

There is a declining opportunity to provide facilities or land at competitive rates to accommodate and to promote the development of additional blue collar employment.

- (1) Otay Mesa represents a product with the economic potential to provide for additional employment of blue collar workers through basic sector industrial uses. Current land use strategies, for Otay Mesa, however, may economically preclude the ability of this area to generate significant employment opportunities for the South Bay labor market.

Industrial land in San Diego has been consistently diverted from basic "industrial" uses to other applications. The magnitude of this diversion has economically constrained the ability of the private sector to provide basic manufacturing opportunities.

- (1) The consistent historical lack of large acreage opportunities for users (20 + acres), and high costs, will continue to force local industry as well as anticipated new companies to look toward other competing regions of the country to satisfy expansion or relocation requirements.

- (2) San Diego should put itself in a position to attempt to capture the numerous manufacturing and production opportunities which are and will be associated with much of the current R&D, biomedical, and biotechnical activity of the area.

V. Recommendations:

The City of San Diego should provide for, over a given ten year period, a 15 year supply (150% of anticipated demand) of industrial land in its inventory to satisfy the market demand for industrial property -- enabling the community to provide for the employment opportunities required for its growing population base. In conjunction with this goal, sufficient industrial land will stimulate market conditions and contribute a competitive market price structure, which should allow for continued industrial growth at many levels.

Recognizing industrial market demand, and the type of product available to meet this demand, is of the utmost importance to the City's ability to accommodate its employment needs. Average demand information available for the North City (MSA 1) area over the last five years suggests a need for industrial property in excess of 350 net acres per year. Using the 150% formula this translates into 5,250 net acres for the 10 year period through 1995. EDC data indicates a current inventory of 1,919 net industrial acres available in this time frame for the North City area. Therefore, an additional 3,331 net acres needs to be generated over the next 10 years to insure that an adequate industrial land inventory is available to satisfy future demand requirements. This property should be made available in the context of an overall land use plan for the entire North City area (assuming an adequate general land inventory of property to provide for this amount of industrial land). To the extent that 3,300 acres cannot physically be accommodated, it is assumed that a large proportion of the industrial demand for North City will locate in the North Country area.

Newly zoned industrial property should be required to provide a 20% reservation for large parcel users over a ten year time frame. Assuming application of this standard to only the "yet to be created" acreage would dictate a minimum of 660 acres to be set aside via effective covenants for a minimum of ten years. With the new zoning of industrial property, adequate controls must be in place to insure the provision of a 20% set-aside for large parcels (20+acres). This would provide a reasonable opportunity for the City to compete for major user purchases. (This requirement would be applicable to land ownership of a sufficient size to accommodate an acreage set-aside.) The City has previously addressed this issue with minimal success through the creation of new industrial zones.

The City should make a long-term commitment to the development of the unique industrial potential of Otay Mesa. This commitment would involve the City as developer of its own property as well as a participant with the private sector in realizing the industrial and employment opportunity of the area. Among the City roles would be the following:

- City improvement of Brown Field including development of the surrounding City-owned lands to enhance the airport as well as provide a nucleus of industrial development similar to what was done adjacent to Montgomery Field.
- City should work with property owners/developers to provide the basic infrastructure including major streets, fire protection, sewer, water, and private utilities by the most economical means possible toward the goal of producing developed land costs in the \$4.00 to \$6.00 per square foot range. Among the alternatives to be considered would be assessment bond financing, City financial participation in certain facilities, state and federal economic development grants.
- City should work with property owners/developers and the Economic Development Corporation to prepare and execute a marketing program to widely publicize and promote the Mesa's industrial potential and attract basic manufacturing and other labor-intensive activities. The financing of this extraordinary effort should be supported by the property owners/developers on the mesa, possibly through the use of an assessment procedure.
- City should work with property owners/developers to develop methods to produce and maintain an inventory of large (20+ acres) industrial sites at reasonable prices in order to attract major users. This effort would be directed toward the reduction in front end and carrying costs and moderating escalating land prices. In some instances with a highly desirable large-scale employer, consideration should be given to further downward price adjustments to compete with current strategy of other sunbelt cities and states.

Table 1

**SAN DIEGO COUNTY
PLANNED INDUSTRIAL ACREAGE BY AREA
(Gross versus Net)
Spring 1984**

Area	Gross Acres	Estimated Net Acres	
Otay Mesa	3,500	3,500	
South San Diego	130	64	South County
			3,928 net acres
Chula Vista	459	275	
East County	168	89	
Kearny Mesa	634	350	
Miramar Road	602	182	
Torrey Pines/Golden			
Tringle	679	267	
Sorrento Valley	1,720	699	North City
			1,919 net acres
North City West	147	61	
Scripps Ranch	226	140	
I-15 Corridor	420	220	
Carlsbad	2,029	1,004	
Oceanside	1,426	1,032	
Vista	1,000	800	North County
			3,277 net acres
San Marcos	535	316	
Escondido	<u>209</u>	<u>125</u>	
Total	<u>13,884</u>	<u>9,124</u>	

Net acreage is determined by combining "Available" and "Future" categories from Exhibit 1. This column reflects the total net acreage available within 18 months and potentially available is anticipated future industrial land does become a reality.

Due to the inability to determine loss of acreage once development takes place -- the net acreage figure is overstated by including certain future projects.

Source: San Diego Economic Development Corporation.

Table 2

**SAN DIEGO COUNTY
PLANNED INDUSTRIAL AREAS
(Over Ten Gross Acres)
Spring 1984**

Project	Gross Acres	Net Acres		Futu
		Committed To Use	Available Within 18 Mos.	
Otay Mesa:				
Otay Mesa	3,200	--	--	3,200
Brown Field	300	--	--	300
	<u>3,500</u>	<u>--</u>	<u>--</u>	<u>3,500</u>
South San Diego				
International Industrial Park	21	21	--	--
South San Diego Industrial Park	18	--	14	--
So. Pacific Industrial Park	26	--	10	--
Gateway Center	<u>65</u>	<u>--</u>	<u>40</u>	--
	130	21	64	--
Chula Vista:				
East Lake	245	--	--	245
Bayfront	35	35	--	--
Otay Valley Industrial Park	41	--	10	--
Rio Otay Industrial Park	40	40	--	--
Kau Properties	30	--	20	--
Big Sky Industrial Park	18	18	--	--
J Street Industrial Park	17	17	--	--
Palomar Industrial Center	13	13	--	--
Price Club	<u>20</u>	<u>20</u>	<u>--</u>	--
	459	143	30	24
East County:				
Mission Valley Heights	93	--	74	--
Rancho San Diego	30	15	15	--
Woodside Industrial Park	30	30	--	--
Prospect Site	<u>15</u>	<u>15</u>	<u>--</u>	--
	168	60	89	--

Kearny Mesa:

Daley Properties	500	--	--	350
Interstate Corporate Center	50	20	--	--
Montgomery Business Center	32	32	--	--
McGrath Highlands	52	52	--	--
	<u>634</u>	<u>104</u>	<u>--</u>	<u>350</u>

Miramar Road:

Lion Miramar Industrial Park	100	100	--	--
Gentry Watts	80	80	--	--
Miralani Business Park	56	--	10	--
Carroll Ridge Business Park	46	--	7	--
Santa Fe Railroad	46	--	13	--
El Camino Industrial Park	43	--	35	--
Conrock	40	40	--	--
Carroll Creek (Hazard)	38	--	30	--
Judd Halenza Property*	55	--	37	--
Miramar Ridge	35	35	--	--
Heartly Property	35	--	--	35
Buriss Property	15	--	--	15
Carroll Business Center	13	13	--	--
	<u>602</u>	<u>268</u>	<u>132</u>	<u>50</u>

Torrey Pines/Golden Triangle:

Eastgate Technology Park *	281	--	135	--
Eastgate Mall Area	245	--	61	--
General Atomic*	88	--	46	--
Governor Drive Business Park	36	17	--	--
Torrey Pines	4	--	3	--
Campus Point	25	--	22	--
	<u>679</u>	<u>17</u>	<u>267</u>	<u>--</u>

Sorrento Valley:

Pacific Corporate Center*	330	--	213	--
Lusk-Mira Mesa East I*	162	--	100	--
Lusk-Mira Mesa East II*	232	--	165	--
Wateridge	125	--	50	--
Lusk-Mira Mesa I	420	232	--	--
Pueblo Parcel D	115	--	--	45
Mesa Rim	75	--	6	--
Seaview Business Park	18	10	--	--
Sorrento Hills	243	--	--	120
	<u>1,720</u>	<u>242</u>	<u>534</u>	<u>165</u>

North City West:

San Diego Corporate Center	147	--	61
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Scripps Ranch:

Miramar Ranch North	206	--	--
Scripps Ranch	20	--	15
	<u>226</u>	<u>--</u>	<u>15</u>

I-15 Corridor:

Sabre Springs	79	--	--
Carmel Mountain Ranch	143	--	62
Bernardo Heights	30	23	--
Rancho Bernardo Corporate Ctr.	127	--	75
Technology Park	41	--	19
	<u>420</u>	<u>23</u>	<u>156</u>

Carlsbad:

Carlsbad Oaks	600	--	--
Carlsbad Research Center*	559	--	147
Airport Business Center*	333	--	55
Carlsbad Raceway	145	--	--
Huntington Beach Company	110	--	--
Palomar Oaks	25	--	15
Carrillo Ranch	73	--	--
Palomar Airport Bus. Park.	63	--	37
Interamerican Development	32	32	--
Carlsbad Commercial Ctr.	20	--	6
Koll Business Center	17	17	--
Birtcher Business Ctr.	16	16	--
Andrex-Mann Business Ctr.	16	--	6
Carlitas Corporation	20	--	--
	<u>2,029</u>	<u>65</u>	<u>266</u>

Oceanside:

Rancho del Oro*	597	--	130
Ivey Ranch	300	--	--
Deutsch Industries	118	--	--
Oak Industries*	100	--	80
Vista Pacific	70	--	46
Oceanside Industrial Ctr.	55	--	21
Seigal Site	55	--	--
Summer/Cavanaugh	33	--	--
AMS Business Park	27	--	22
Trammel Crow	26	--	19

Cedar Glen	25	--	18	--
Ocean Vista	20	--	19	--
	<u>1,426</u>	<u>--</u>	<u>355</u>	<u>667</u>

Vista:

Vista Annexation Area	1,000	--	312	488
	<u>1,000</u>	<u>--</u>	<u>312</u>	<u>488</u>

San Marcos:

San Marcos Triangle Area	350	--	--	200
La Costa	65	--	--	30
San Marcos Industrial Park	56	--	20	20
Rancho Santa Fe Industrial Park	51	--	11	35
San Marcos Valley Center	13	13	--	--
	<u>535</u>	<u>13</u>	<u>31</u>	<u>285</u>

Escondido:

Westridge Industrial Park	86	--	--	60
Oakwood Industrial Park	45	--	--	30
ATI Subdivision	32	--	10	--
Pitts Subdivision	20	--	--	20
Escondido Business Park	14	--	5	--
Escondido Auto Park	12	12	--	--
	<u>209</u>	<u>12</u>	<u>15</u>	<u>110</u>

Subtotals	<u>968</u>	<u>2,327</u>	<u>6,797</u>
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Total 13,884 Gross Acres 10,092 Net Acres

1. The net acreage figures are divided into 3 groups based on a project's availability for purchase. The first category of **"committed to use"** includes land that is not available on the open marketplace or is planned for speculative development. The second category of **"available"** depicts land that is or will be available for purchase within 18 months. The final category **"future"** includes projects that are anticipated to be available sometime after 18 months for development or purchase.

a. Due to the inability to determine loss of acreage once development takes place--the net acreage figure is slightly overstated as a result of these projects.

* Physical potential and propensity for 20+ acre sites within an 18 month time frame.

Source: EDC Land Inventory Data and data supplied by Coldwell Banker, John Burnham & Co., and Grubb & Ellis Commercial Brokerage Houses.

Note: Figures supplied in this report are believed to be as accurate and comprehensive as possible, however, we assume there are minor omissions or variations in classification that should not materially alter the relationship reflected in the final data.

Appendix 1

Source: "Demand for Labor Services and Supply of Labor Services in the San Diego region - 1983, 1990, 2000." Prepared for the Economic Development Corporation by Sourcepoint.

Exhibit I
POPULATION AND EMPLOYMENT FORECASTS
FOR SAN DIEGO

	1983	1990	2000
Population	1,986,000	2,317,300	2,678,665
Demand for Labor Services (Jobs)	747,623	930,146	1,087,407
Supply of Labor (Job Seekers)	844,019	993,129	1,156,385
Unemployment Rate	11.4%	6.3%	6.0%

	<u>Increase 1983-1990</u>	<u>Increase 1990-2000</u>	<u>Increase 1983-2000</u>
Population			
Amount	331,000	361,365	692,665
Percent	16.7	15.6	34.9
Demand for Employment			
Amount	182,523	157,261	339,784
Percent	24.4	16.9	45.5
Supply of Employees			
Amount	149,110	163,256	312,366
Percent	17.7	16.4	37.0

Note: To accomplish a six percent unemployment rate by the year 2000, recognizing projected population increases - 339,784 jobs must be generated between 1983 and 2000.

Exhibit II

REPORT TO THE SUBCOMMITTEE FOR THE GROWTH MANAGEMENT REVIEW TASK FORCE, CITY OF SAN DIEGO BY THE SAN DIEGO ECONOMIC DEVELOPMENT CORPORATION

Overview

The San Diego Economic Development Corporation (EDC) has been asked by this subcommittee to gather and present information relative to the current industrial land inventory in San Diego County and to attempt to identify the market demand for industrial land in the near term. In dealing with these issues, information was gathered from numerous sources: Coldwell Banker Real Estate Consultation Services; Rick Engineering; commercial brokerage houses of Coldwell Banker, John Burnham, Grubb & Ellis; and EDC research data. In conjunction with data gathering efforts from these sources, meetings were held with representatives from each of the aforementioned commercial brokerage houses. The following section is a summary analysis of the discussion sessions with these professionals to determine the current status of industrial land inventory, geographic preference of compliances, and potential market demand for industrial land. The analysis is a reflection of joint professional opinion in assessing the industrial marketplace and possible future scenarios.

Analysis

Exhibits I and II identify industrial land for the entire county as of Spring, 1984. The information has been refined to reflect as accurately as possible the exact nature of the industrial land inventory that currently exists for San Diego County.

Three categories of net acreage were developed to further profile the gross acres assumed to be available for development or purchase. The first category of "committed to use" includes land that is not available on the open marketplace or is planned for speculative development. The second category of "available" depicts land that is or will be available for purchase within 18 months. The final category "future" includes projects that are anticipated to be available sometime after 18 months for development or purchase.

A cursory examination of the data in Exhibit I shows 13,884 gross acres of industrial land in San Diego County. However, total net acreage is 10,092. This figure includes 968 acres already committed to use through speculative development or not available in the marketplace for other reasons -- 10 percent of the total net figure. An additional 6,797 net acres will not be available in the market for at least 18 months and full realization of the potential for this "future" property is not guaranteed. This

represents 67 percent of the net acreage for the county. The final 2,327 net acres are shown to be available for purchase in the marketplace in the next 18 months. Of this figure, 1,165 acres are currently available in the City of San Diego. Exhibit III shows industrial land absorption by using data gathered from recorded final maps filed for the northern portion of the City. A figure of 365 net acres was estimated to be the average annual absorption for the past five years for this area. Using this number, the City of San Diego has less than a three and a half year supply of industrial land available. More importantly, however, there is only a potential for an additional 754 acres due to become available after 18 months in the northern portion of the City San Diego.

Observations

The significance of these findings is emphasized by understanding the current demands in the industrial marketplace and where those demands will continue to occur based on geographic preferences and the price consciousness of industrial companies. (The following observations and statements of facts are the product of the joint sessions between top industrial brokers and EDC staff.)

San Diego's industrial marketplace has been undergoing tremendous change over the past three to five years. Initially, the demands made on industrial facilities and land were for pure "industrial" activities such as large scale manufacturing, warehousing or distribution to service the local economy. The likes of Sony, Sanyo, Hewlett-Packard, NCR, TRW, and others continued to locate large manufacturing facilities here through the late 70's to join the existing base of aerospace and manufacturing. In the present national economy, however, the manufacturing of many products has become so cost competitive that companies must seek cost effective locations, including offshore production facilities, to remain in their traditional markets. San Diego is no exception to this trend with its county as an ideal location must look elsewhere to maintain a low cost of doing business. These companies are typically labor intensive utilizing a semiskilled or unskilled workforce to produce their product.

The companies most interested in San Diego today are representative of a growing sector of the economy -- companies where the quality of the labor force and the ability to retain this labor force is of critical importance. Most of these companies are in the high tech fields of communication, software development, electronic components, biotechnology, etc. San Diego ranks very high with this sector for a number of reasons: quality of life, climate, academic institutions and for the region's ability to attract quality employees. These types of companies represent a large percentage of not only the outside interests in the region, but also a significant number of local companies who are expanding within the region, but also a significant number of local companies who are expanding within the region. The general consensus is that the "high tech" orientation of our industrial marketplace is presently about 40 percent, with the other 60 percent

representing the existing industry base of manufacturing, warehousing and, to some extent, distribution. High tech's influence on the industrial facilities in San Diego.

According to the industrial brokers, there are very distinct demands and geographic preferences in the current industrial marketplace. Their professional opinion of the three primary regions of the county -- South Bay/East County, City of San Diego, and North County are as follows:

- **South Bay/East County** attracts some warehousing light manufacturing, and labor intensive manufacturing/assembly operations. A significant new interest for the border area comes from potential U. S. twin plan facilities. (To date such facilities have generally been administrative, technical and marketing support for Tijuana based assembly or fabrication operations.) It is the general consensus of the brokers consulted that technology based industries are not attracted to facilities south of Interstate 8 as a result of their perception of the area and a desire to be close to existing high tech industry, academic support, and established coastal residential communities for technical and other highly skilled personnel.
- **City of San Diego**, the northern areas of the city are the most desirable locations for almost all technology based industrial companies and research and development operations. Warehousing/distribution and light manufacturing currently occupies a major portion of the Miramar area with some larger manufacturing concerns located in Kearny Mesa and Rancho Bernardo. A significant shift is seen in this industrial base to more R & D facility requirements as provided for initially in Sorrento Valley. Due primarily to a lack of additional industrial land and greatly increased property values, the more basic or lower end industrial users are prohibited from locating or expanding in this central area of the county. Industrial rents for these lower end users need to be in the \$0.40 - \$0.60 s.f. range for the companies to be profitable. Rents on available industrial space in the north city area start around \$0.75 - \$0.85 s.f., and go up to as high as \$1.25 s.f. Compounding the situation is the intense demand by technology based users to be located in this area of the region. These companies are characterized by a highly skilled workforce and smaller initial facility needs -- typically 30,000 to 40,000 s.f. range. They also require proximity to establish academic institutions and are influenced a great deal by where their chief operating officer chooses to live.
- A further observation of land values in selected areas of the city -- Mission Valley, Kearny Mesa, and the Golden Triangle -- would appear to preclude an industrial application, despite existing zoning of the property, further affecting the true availability of land for industrial users in these areas of the city.

- **North County** is emerging as a major geographic preference for industrial companies. An overwhelming percentage of the brokers felt that if a company could not satisfy its facility needs in the central and northern areas of the City of San Diego, it would then choose the North County region. If the company was high tech in orientation, it would probably gravitate to the Carlsbad/Palomar Airport area. If, on the other hand, the company was being forced out of the central area of the county by increased rents, it would tend to find facilities to suit its needs in the Escondido, San Marcos and Vista areas.

Exhibit II summarizes the planned industrial acreage for the County of San Diego by area. The general consensus resulting from exhaustive discussion sessions is that the primary demand for industrial facilities and land is in the North City area of San Diego and to a lesser degree in the North County area. As clearly shown in Exhibit II, the product for industrial land will be in the south and north county areas. With the northern section of the City of San Diego having approximately a five-year supply of industrial user interests will be forced to consider other areas of the county to satisfy market demand or expansion requirements. North County with an anticipated 3,277 net acres will be the most likely alternative for continuing industrial development further reinforcing the present trend to this area.

Industry Observations

Additional input relative to the industrial land issue was sought from selected San Diego business leaders in high technology industries. These leaders, as members of EDC's High Tech Council, were asked to express their opinions and impressions of the availability of industrial land for expansion purposes and the geographic preferences of high tech oriented companies in San Diego. The general consensus of this group confirmed many of the findings of the original discussions between EDC staff and brokerage representatives:

- Miramar Road and north has a better chance of attracting R & Debased firms. The availability of existing desirable communities with good school systems and short commute times creates a family environment that is desirable and necessary to recruit top personnel.
- Developers and local government will need to have a Rancho Bernardo-like plan to develop communities in the South Bay area before industry will show much interest. A real commitment to develop the area with reasonably priced land could attract desired industry. It may be that Otay Mesa should not focus on R & D or high tech industry, but rather on more labor intensive light manufacturing activities such as electronic products assembly.
- San Diego has become a very high cost area for most companies, even high technology companies. Not only are suitable industrial sites or

facilities very expensive, if available, but housing costs are virtually prohibitive when a company attempts to attract technical professionals from elsewhere in the country.

- Proximity to advanced technical universities for continuing education and a constant flow of qualified graduates in engineering and computer science disciplines is critical for companies to attract and retain personnel.
- The price of land of facilities should not be compared with prices for other land or facilities in San Diego, but with prices for equivalent accommodations in other high tech areas of the country. Companies must seriously consider these lower cost alternatives in any site location or expansion plans.
- Generally, high tech/R & D companies are forced to look outside of San Diego when they begin to manufacture product, because of high facility costs and labor considerations at the middle management level.

Table I
SAN DIEGO COUNTY
PLANNED INDUSTRIAL AREAS
(Over Ten Gross Acres)
Spring 1984

Project	Gross Acres	Committed To Use	Net Acres ¹ Available Within 18 Mos.	Future
Otay Mesa				
Otay Mesa	3,200	--	--	3,200 ^a
Brown Field	300	--	--	300
	<u>3,500</u>	<u>--</u>	<u>--</u>	<u>3,500</u>
South San Diego				
International Industrial Park	21	21	--	--
South San Diego Industrial Park	18	--	14	--
So. Pacific Industrial Park	26	--	10	--
Gateway Center	65	--	40	--
	<u>130</u>	<u>21</u>	<u>64</u>	<u>--</u>
Chula Vista				
East Lake	245	--	--	245 ^a
Bayfront	35	35	--	--
Otay Valley Industrial Park	41	--	10	--
Rio Otay Industrial Park	40	40	--	--
Kau Properties	30	--	20	--
Big Sky Industrial Park	18	18	--	--
J Street Industrial Park	17	17	--	--
Palomar Industrial Center	13	13	--	--
Price Club	20	20	--	245
	<u>459</u>	<u>143</u>	<u>30</u>	<u>245</u>
East County				
Mission Valley Heights	93	--	74	--
Rancho San Diego	30	15	15	--
Woodside Industrial Park	30	30	--	--
Prospect Site	15	15	--	--
	<u>168</u>	<u>60</u>	<u>89</u>	<u>--</u>

Project	Gross Acres	Committed To Use	Net Acres ¹ Available Within 18 Mos.	Future
<u>Kearny Mesa</u>				
Daley Properties	500	--	--	350
Interstate Corporate Center	50	20	--	--
Montgomery Business Center	32	32	--	--
McGrath Highlands	52	52	--	350
	<u>634</u>	<u>104</u>	<u>--</u>	<u>350</u>
Miramar Road				
Lion Miramar Industrial Park	100	100	--	--
Gentry Watts	80	80	--	--
Miralani Business Park	56	--	10	--
Carroll Ridge Business Park	46	--	7	--
Santa Fe Railroad	46	--	13	--
El Camino Industrial Park	43	--	35	--
Conrock	40	40	--	--
Carroll Creek (Hazard)	38	--	30	--
Judd Halenza Property*	55	--	37	--
Miramar Ridge	35	35	--	--
Heartly Property	35	--	--	35
Buris Property	15	--	--	15
Carroll Business Center	13	13	--	--
	<u>602</u>	<u>268</u>	<u>132</u>	<u>50</u>
Torrey Pines/Golden Triangle				
Eastgate Technology Park*	281	--	135	--
Eastgate Mall Area	245	--	61	--
General Atomic*	88	--	46	--
Governor Drive Business Park	36	17	--	--
Torrey Pines	4	--	3	--
Campus Point	25	--	22	--
	<u>602</u>	<u>268</u>	<u>132</u>	<u>50</u>
Sorrento Valley				
Pacific Corporate Center*	330	--	213	--
Lusk-Mira Mesa East I*	162	--	100	--
Lusk-Mira Mesa East II*	232	--	165	--
Wateridge	125	--	50	--
Lusk-Mira Mesa I	420	232	--	--
Pueblo Parcel D	115	--	--	45

Industrial Land - 28
Appendix 1
Exhibit II Table 1

Project	Gross Acres	Committed To Use	Net Acres ¹ Available Within 18 Mos.	Future
Mesa Rim	75	--	6	--
Seaview Business Park	18	10	--	--
Sorrento Hills	243	--	--	120
	<u>1,720</u>	<u>242</u>	<u>534</u>	<u>165</u>
North City West				
San Diego Corporate Center	147	--	61	--
	<u>147</u>	<u>--</u>	<u>61</u>	<u>--</u>
Scripps Ranch				
Miramar Ranch North	206	--	--	125
Scripps Ranch	20	--	15	--
	<u>226</u>	<u>--</u>	<u>15</u>	<u>125</u>
I-15 Corridor				
Sabre Springs	79	--	--	64
Carmel Mountain Ranch	143	--	62	--
Bernardo Heights	30	23	--	--
Rancho Bernardo Corporate Ctr	127	--	75	--
Technology Park	41	--	19	64
	<u>420</u>	<u>23</u>	<u>156</u>	<u>64</u>
Carlsbad				
Carlsbad Oaks	600	--	--	300
Carlsbad Research Center*	559	--	147	75
Airport Business Center*	333	--	55	110
Carlsbad Raceway	145	--	--	101
Huntington Beach Company	110	--	--	77
Palomar Oaks	25	--	15	--
Carrillo Ranch	73	--	--	55
Palomar Airport Business Park	63	--	37	--
Interamerican Development	32	32	--	--
Carlsbad Commercial Center	20	--	6	--
Koll Business Center	17	17	--	--
Birtcher Business Center	16	16	--	--
Andrex-Mann Business Center	16	--	6	--
Carlitas Corporation	20	--	--	--
	<u>2,029</u>	<u>65</u>	<u>266</u>	<u>738</u>
Oceanside				

Industrial Land - 29
Appendix 1
Exhibit II Table 1

Project	Gross Acres	Committed To Use	Net Acres ¹ Available Within 18 Mos.	Future
Rancho del Oro*	597	--	130	300
Ivey Ranch	300	--	--	250
Deutsch Industries	118	--	--	75
Oak Industries*	100	--	80	--
Vista Pacific	70	--	46	--
Oceanside Industrial Center	55	--	21	--
Siegal Site	55	--	--	30
Summer/Cavanaugh	33	--	--	22
AMS Business Park	27	--	22	--
Trammel Crow	26	--	19	--
Cedar Glen	25	--	18	--
Ocean Vista	20	--	19	--
	<u>1,426</u>	<u>--</u>	<u>355</u>	<u>677</u>
<u>Vista</u>				
Vista Annexation Area	<u>1,000</u>	<u>--</u>	<u>312</u>	<u>488</u>
San Marcos				
San Marcos Triangle Area	350	--	--	200
La Costa	65	--	--	30
San Marcos Industrial Park	56	--	20	20
Rancho Santa Fe Industrial Park	51	--	11	35
San Marcos Valley Center	13	13	--	-0-
	<u>535</u>	<u>13</u>	<u>31</u>	<u>285</u>
Escondido				
Westridge Industrial Park	86	--	--	60
Oakwood Industrial Park	45	--	--	30
ATI Subdivision	32	--	10	--
Pitts Subdivision	20	--	--	20
Escondido Business Park	14	--	5	--
Escondido Auto Park	12	12	--	--
	<u>209</u>	<u>12</u>	<u>15</u>	<u>110</u>
Subtotals		<u>968</u>	<u>2,237</u>	<u>6,797</u>
TOTAL	<u>13,884</u>	Gross Acres	<u>10,092</u>	Net Acres

Industrial Land - 30
Appendix 1
Exhibit II Table 1

1. The net acreage figures are divided into three groups based on a project's availability for purchase. The first category of "committed to use" includes land that is not available on the open marketplace or is planned for speculative development. The second category of "available" depicts land that is or will be available for purchase within 18 months. The final category "future" includes projects that are anticipated to be available sometime after 18 months for development or purchase.

a. Due to the inability to determine loss of acreage once development takes place -- the net acreage figure is slightly overstated as a result of these projects.

* Physical potential and propensity for 20+ acre sites within an 18 month time frame.

Source: EDC Land Inventory Data and data supplied by Coldwell Banker, John Burnham & Co., and Grubb & Ellis Commercial Brokerage Houses.

Note: Figures supplied in this report are believed to be as accurate and comprehensive as possible, however, we assume there are minor omissions or variations in classification that should not materially alter the relationship reflected in the final data.

Table II

**SAN DIEGO COUNTY
PLANNED INDUSTRIAL ACREAGE BY AREA
(Gross versus Net)
Spring 1984**

Area	Gross Acres	Estimated ¹ Net Acres	
1. Otay Mesa	3,500	3,500 ^a	South County 3,928 net acres
2. South San Diego	130	64	
3. Chula Vista	459	275	
4. East County	168	89	
5. Kearny Mesa	634	350	
6. Miramar Road	602	182	
7. Torrey Pines/Golden Triangle	679	267	North City 1,919 net acres
8. Sorrento Valley	1,720	699	
9. North City West	147	61	
10. Scripps Ranch	226	140	
11. I-15 Corridor	420	220	
12. Carlsbad	2,029	1,004	North County 3,277 net acres
13. Oceanside	1,426	1,032	
14. Vista	1,000	800	
15. San Marcos	535	316	
16. Escondido	209	125	
Total	<u>13,884</u>	<u>9,124</u>	

1. New acreage is determined by combining "Available" and "Future" categories from Exhibit I. This column reflects the total net acreage available within 18 months and potentially available if anticipated future industrial land does become a reality.

a. Due to the inability to determine loss of acreage once development takes place -- the net acreage figure is overstated by including certain future projects.

Source: San Diego Economic Development Corporation.

Exhibit IV

Industrial Land Availability

Local governments have recognized the need for adequate industrial land and they have zoned or allocated ample land for this purpose.

SANDAG's Series 6 Regional Growth Forecasts include estimates of employment to the year 2000. Employment is forecast by type and the grouped into two large categories for distribution purposes. The two categories are: (1) basic employment, which includes all industrial operations; and (2) local serving employment, which includes primarily commercial and service uses.

Regionwide there will be almost one new civilian job created for every new household added between 1980 and 2000. Civilian jobs will increase from 718,000 in 1980 to 1,081,000 in 2000. While it is generally believed that there will be more jobs in the region than previously forecast, there may be some discussion about the distribution of those jobs, especially basic industrial jobs.

The total acreage of all major industrial areas expected to be in use or made available by the year 2000 is 26,500 acres. Most of this (some 22,600 acres) is in use or available now or will be available by 1990. In 1980, about 10,300 acres were in use.

Major industrial areas available or to be made available by 2000 in North County total over 8,000 acres. About 2,000 acres of this total were developed in 1980. Thus, the North County may have room for four times the current industrial acres. However, basic employment will increase by only 47 percent and industrial land development is forecast at about 3,100 acres. The South Bay will have 5,200 acres by 2000, of which 1,000 acres were developed in 1980, permitting five times the amount of current industrial development. However, South Bay basic employment will increase by only 48 percent and industrial land development is forecast at 1,200 acres.

The Central, North City, and East Suburban areas will provide the remainder of the major industrial area acreage, about 13,300 acres, of which about 7,300 acres were developed in 1980. The increase of industrial land will be about 6,000 acres, an addition of 82 percent to the currently used land. Basic industrial employment in these areas will grow about 32 percent and industrial land use is forecast at 3,200 acres.

The most significant observation is that new industrial land expected to be available for use by the year 2000 will be more than 16,200 acres, more than doubling all the acreage in use in major industrial areas in 1980. During the 20-year period, regionwide, basic employment will grow 35 percent, and the additional industrial land use will total about 7,600 acres, leaving some 8,600 acres available but unused.

As most industrial realtors are quite aware, the market in industrial land is extremely competitive and has been so for some time. Not only is vacant prepared industrial land available, but many industrial buildings are vacant as well. The latter situation has been well documented by the San Diego Chamber of Commerce's 1983 survey of industrial buildings. The highest building vacancy rate, 33 percent, is in North County.

SOURCE: SANDAG Report "Draft: Regional Economic Development Strategy Update", Summer 1984.

Exhibit V

INDUSTRIAL LAND DATA COMPARISON EDC/SANDAG

	SANDAG GROSS		SANDAG GROSS AVAILABLE 1980-2000	EDC GROSS TOTAL	EDC NET TOTAL	DIFF. GROSS AVAILABLE
	TOTAL	IN-USE				
Campus Park/Fallbrook	481	158	323	-	-	(323)
Oceanside Airport	2,089	460	1,629	1,426	1,032	(203)
Vista Business & Research Park	728	-	728	1,000	800	272
San Marcos	750	415	335	484	283	149
Escondido	1,083	713	370	209	137	(161)
Carlsbad/Palomar Airport	2,933	296	2,637	2,029	1,069	(680)
San Marcos/Rancho Santa Fe	68	32	36	51	46	15
Ramona	27	130	-	-	(130)	
Rancho Bernardo	646	398	248	168	94	(80)
I-15 Corridor	311	-	311	252	149	(59)
North City West/Sorrento Hills	692	-	692	390	181	(302)
Sorrento Valley	360	360	-	-	-	--
Mira Mesa, Scripps Ranch, Miramar Road	3,797	889	2,908	2,305	1,411	(603)
Highway 67	161	29	132	-	-	(132)
University City/Torrey Pines	1,005	249	756	679	284	(77)
Kearny Mesa/Murphy Canyon	2,209	1,654	555	634	454	79
Rose Cajon	171	171	-	-	-	-
Morena	124	-	-	-	-	-
Mission Valley East	43	43	-	93	74	93
Grantville	343	343	-	-	-	-
La Mesa	184	-	-	-	-	-
El Cajon	219	-	-	-	-	-
Santee/Gillespie	778	558	220	45	45	(175)
Lakeside/I-8 East	100	100	-	-	-	-
Pacific Highway/Lindbergh	582	582	-	-	-	-
East San Diego	116	116	-	65	40	65
Lemon Grove	30	30	-	-	-	-
Rancho San Diego	29	29	-	30	30	30
San Diego Waterfront	511	511	-	-	-	-
National City	657	632	25	-	-	(25)
Sweetwater	120	79	41	-	-	(41)
Chula Vista/Eastlake	847	557	290	348	348	58
Otay Valley Road	542	261	281	111	70	(170)
San Ysidro	271	61	210	65	45	(145)
Brown Field/Otay Mesa	3,402	10,339	59	3,343	3,500	157
TOTALS	26,539	10,339	16,200	13,884	10,092	(2,316)

Source: San Diego Economic Development Corporation

**EXPLANATIONS
MSA 1 EDC/SANDAG
INDUSTRIAL LAND COMPARISON**

Area	Explanation
Rancho Bernardo	- EDC is confident of the data as it stands.
I-15 Corridor	- Sabre Springs and Carmel Mountain Ranch are included in EDC figures. - Poway and Miramar Ranch North are excluded in EDC numbers.
North City West/Sorrento Hills	- EDC sources and contacts confirm a total of 181 gross acres.
Sorrento Valley	- No variation.
Miramar Road, Mira Mesa, Scripps Ranch	- A variation of 603 gross acres is shown between SANDAG and EDC. This difference can primarily be attributed to a large parcel currently being used as sand and gravel extraction which is shown by SANDAG for future industrial use. Contact was made with the owner of the property and they indicated their present activity would continue for at least an additional 25 years.
University City/Torrey Pines	- Possible difference is relative to the acreage attributed to the Eastgate Mall area.
Kearny Mesa/Murphy Canyon	- EDC attributes larger acreage for industrial use within the Daley property than is shown by SANDAG numbers.
Rose Canyon	- No difference.
Morena	- No difference.
Mission Valley East	- EDC inventory includes Mission Valley Heights; a project not shown on SANDAG inventory.

Exhibit VI
INDUSTRIAL LAND ABSORPTION
MAJOR STATISTICAL AREA I
(City of San Diego)

Data gathered from recorded final maps files with the City of San Diego.

Year	Gross Acres
1984 (Jan. & Feb. only)	230
1983	370
1982	841
1981	501
1980	525
1979	368
1978	252
1977	222
1976	228
1975	55
1974	325
1973	<u>495</u>
	4,412

Annual average for eleven-year period is 380.2 gross acres per year.
Annual average for most recent five-year period is 521 gross acres per year. (These figures do not include the first months of 1984.) The average net acreage for the past 5 years would be approximately 365 acres based on a 70% utility of gross acres for the City of San Diego.

Note: Figures represent industrially zoned or industrially designated land that has had an approved final map recorded on it; this does not necessarily imply that development or construction has taken place.

Commercial, as well as industrial, record maps were included in the total if they were recorded on land zoned or designated as industrial land.

Source: Rick Engineering Company - March 2, 1984

Appendix 2

Exhibit I

CITY OF SAN DIEGO MAJOR INDUSTRIAL AREAS USE OF INDUSTRIALLY ZONED PARCELS August, 1984

Industrial Area	Total Acres	Industrial	Type of Use Commercial	Public	Residential	Vacant
Rancho Bernardo/ Carmel Mountain	725.6	383.1	38.7	-	-	303.8
North City West	73.1	-	3.5	-	-	69.6
Sorrento Valley	676.4	227.4	66.4	3.6	23.0	356.0
Torrey Pines/ University	1,043.8	449.2	201.4	4.8	-	388.5
Mira Mesa West	554.1	111.4	75.5	1.6	-	42.1
Miramar Road	1,183.3	553.8	91.7	3.8	-	534.1
Scripps Ranch	187.2	48.9	102.1	-	-	36.2
Rose Canyon	246.9	127.7	75.5	1.6	-	42.1
Kearny Mesa West	839.3	336.3	288.4	7.7	1.0	205.9
Kearny Mesa East	1,532.8	885.0	223.0	48.2	-	376.6
South Bay	118.0	39.4	4.3	-	0.4	73.9
City Total	7,180.5	3,162.2	1,170.5	69.7	24.4	2,753.8

Source: San Diego Planning Department, Land Use Information System, August 1984.

Note: Industrial zones include M-I, M-IA, M-IB, M-IP, M-LI, M-2, M-2A, and SR. "Public" includes semi-public land uses. "Vacant" includes agricultural land uses.

Exhibit II

CITY OF SAN DIEGO MAJOR INDUSTRIAL AREAS USE OF DEVELOPED INDUSTRIALLY ZONED PARCELS August, 1984

Industrial Area	Total Acres	Industrial	Commercial	Percent of Area Public	Residential
Rancho Bernardo/ Carmel Mountain	421.8	90.8%	9.2%	--	1.0%
North City West	3.5	-	100.0%	--	-
Sorrento Valley	320.4	71.0%	20.7%	1.1%	7.2%
Torrey Pines/ University	655.3	68.5%	30.7%	0.7%	-
Mira Mesa West	186.9	59.6%	40.4%	--	-
Miramar Road	649.2	85.3%	14.1%	1.0%	-
Scripps Ranch	151.0	32.4%	67.6%	--	-
Rose Canyon	204.8	62.3%	36.9%	1.0%	-
Kearny Mesa West	633.4	53.1%	45.5%	1.2%	-
Kearny Mesa East	1,156.3	76.5%	19.3%	4.2%	-
South Bay	44.1	89.3%	9.9%	--	1.0%
City Total	4,426.7	71.4%	26.4%	1.6%	0.6%

Source: San Diego Planning Department, Land Use Information System,
August 1984.

Note: Industrial zones include M-1, M-1A, M-1B, M-1P, M-LI, M-2, M-2A, and SR. "Public" includes semi-public land uses. "Vacant" includes agricultural land uses.

**EXHIBIT I
SAN DIEGO COUNTY
INDUSTRIAL SPACE AVAILABILITY
SPRING 1984**

AREA	EXISTING			UNDER CONSTRUCTION			PROPOSED	
	TOTAL RENTABLE SQ. FT.	VACANT SQ. FT.	VACANCY RATE	TOTAL RENTABLE SQ. FT.	SQ. FT. PRELEASED	PERCENTAGE PRELEASED	NO. OF DEVELOP- MENTS*	TOTAL RENTABLE SQ. FT.
CENTRAL & NORTH CITY	18,573,519	1,922,112	10%	2,705,108	67,120	2%	30	2,628,958
CENTRAL CITY I-15	1,831,914	151,050	8%	66,240	33,120	50%	0	0
CORRIDOR	2,222,031	600,337	27%	461,845	0	0%	13	923,166
KEARNY MESA	5,181,745	533,911	10%	508,088	0	0%	3	179,000
MIRAMAR	5,495,649	199,671	4%	951,829	34,000	4%	7	735,998
ROSE CANYON/ UNIV. CITY	610,310	58,000	10%	60,040	0	0%	0	0
SORRENTO VALLEY	3,231,870	379,143	12%	657,066	0	0%	7	790,794
NORTH COUNTY	6,066,427	1,333,848	22%	734,175	40,831	6%	10	526,736
CARLSBAD	1,965,339	795,496	41%	391,315	0	0%	3	258,000
OCEANSIDE	1,004,247	166,933	17%	36,000	0	0%	1	36,000
SAN MARCOS/ ESCONDIDO	2,758,352	346,569	13%	306,860	40,831	13%	6	232,736
VISTA/ FALLBROOK	338,489	24,850	7%	0	0	0%	0	0
EAST COUNTY	2,614,618	88,400	3%	246,000	40,000	7%	2	110,000
SOUTH BAY	3,332,480	230,458	7%	163,301	11,856	7%	4	137,341
TOTAL COUNTY	30,587,044	3,574,818	12%	3,848,584	159,807	4%	46	3,403,035

Source: San Diego Economic Development Corporation

*Number of proposed developments includes expansions of existing buildings, individual buildings, and multi-building projects.

EXHIBIT II
SAN DIEGO COUNTY INDUSTRIAL SPACE
ABSORPTION AND VACANCY RATES
Projects Completed During The Period
4/83-4/84

AREA	NO. OF PROJECTS COMPLETED AFTER MARCH 31, 1983	TOTAL RENTABLE SQUARE FEET	TOTAL SQUARE FEET LEASED 4/83-4/84	ABSORPTION RATE	VACANT SQUARE FEET	VACANCY RATE	MONTHLY LEASE RATES			
							RATE TYPE	MEDIAN	AVERAGE	MARKET RANGE
CENTRAL CITY & NORTH CITY	31	2,051,231	592,041	29%	1,250,360	61%				
CENTRAL CITY	1	48,000	0	0%	48,000	100%	MGR GR NNN	.85	.85	.85-.85
I-15 CORRIDOR	9	489,561	105,552	22%	386,772	79%	MGR GR NNN	.85	.88	.80-1.15
KEARNY MESA	7	450,088	81,500	18%	379,446	84%	MGR GR NNN	.95	.92	.85-.100
MIRAMAR	6	521,120	261,660	50%	89,100	17%	MGR GR NNN	.55	.57	.38-.80
ROSE CANYON/ UNIVERSITY CITY	3	94,414	35,294	37%	47,000	50%	MGR GR NNN	.90	.82	.43-1.25
SORRENTO VALLEY & VICINITY	5	448,048	108,035	24%	300,042	67%	MGR GR NNN	1.63	1.63	1.50-1.75
NORTH COUNTY	10	933,843	434,871	47%	562,476	60%		1.00	1.01	.80-1.22
CARLSBAD	7	652,343	215,354	33%	514,043	79%	MGR GR NNN	.75	.66	.39-.85
OCEANSIDE	1	109,000	69,267	64%	39,733	36%	MGR GR NNN	.35	.35	.34-.36
SAN MARCOS/ ESCONDIDO	2	172,500	150,250	87%	8,700	5%	MGR GR NNN	.45	.45	.40-.50
								.44	.44	.38-.50

EXHIBIT II
SAN DIEGO COUNTY INDUSTRIAL SPACE
ABSORPTION AND VACANCY RATES
Projects Completed During The Period
4/83-4/84

<u>AREA</u>	NO. OF PROJECTS COMPLETED AFTER <u>MARCH 31, 1983</u>	TOTAL RENTABLE SQUARE <u>FEET</u>	TOTAL SQUARE FEET LEASED <u>4/83-4/84</u>	ABSORPTION <u>RATE</u>	VACANT <u>SQUARE FEET</u>	VACANCY <u>RATE</u>	<u>MONTHLY LEASE RATES</u>			
							<u>RATE TYPE</u>	<u>MEDIAN</u>	<u>AVERAGE</u>	<u>MARKET RANGE</u>
VISTA/FALLBROOK	0	0	0	0	0	0	MGR GR NNN			
EAST COUNTY	1	51,000	51,000	100%	0	0	MGR GR NNN			
SOUTH BAY	9	396,693	237,653	60%	132,818	33%	MGR GR NNN	.36	.36	.36-.36
							MGR GR NNN	.42	.41	.26-.49
							MGR GR NNN	.37	.41	.35-.57
TOTAL COUNTY	51	3,432,767	1,315,565	38%	1,945,654	57%	MGR GR NNN	.84	.85	.85-.85
							MGR GR NNN	.45	.83	.26-1.75
							MGR GR NNN	.75	.80	.34-1.25

Source: San Diego Economic Development Corporation

* Number of proposed developments includes expansions of existing buildings, individual buildings, and multi-building projects.

San Diego Economic Development Corporation

701 B Street, Suite 1850, San Diego, California 92101, (619) 234-8484

April 23, 1984

Mr. Steve Willhite
Grubb & Ellis
2299 Camino del Rio South
San Diego, CA 92108

Dear Steve:

As you know, Mayor Hedgecock has formed a task force to review the current growth management plan for the City of San Diego. In conjunction with the review being conducted by the task force, Ernest Hahn has been named Chairman of a subcommittee to investigate industrial land inventory and related demands.

As I previously mentioned to you, EDC has been asked by this subcommittee to gather and present information relative to the future availability of and need for industrial land in San Diego County. In addition, we would like the opinion of major industrial brokers concerning the current industrial market conditions and projected near-term demand for industrial property from their perspective.

Enclosed are a number of documents gathered by EDC staff to help facilitate our discussion session with you and your associates:

- Exhibit I: Summary listing of industrial land availability by project and area.
- Exhibit II: Summary of estimated net available acreage by geographic location.
- Exhibit III: Industrial land absorption for Major Statistical Area #1 as identified by recorded final maps.
- Exhibit IV: Historical summary of industrial leasing activity.
- Exhibit V: Summary of land purchases and leasing activity directly related to EDC prospect activity since 1978.
- Exhibit VI: Summary of EDC's current prospect's site location requirements.

Please take time to review the enclosed material in detail. We would like your perspective and interpretation of this information in an attempt to

assess the current and near-term demand for industrial land and its availability. In conjunction with your review of the enclosed material, the following questions are areas of concern that will be addressed in our meeting with you:

- 1) Does this summary information adequately reflect the current or planned availability of industrial property, in your opinion?
- 2) Based on your knowledge of the industrial marketplace, is there sufficient opportunity and product to meet projected near-term demand for industrial land or buildings?
- 3) Based on your experience, what is the distribution of demand between developer/spec facility interests versus owner/user interests for industrial land? (i.e. 80/20; 60/40?)
- 4) Is there and will there be sufficient quantity and quality of industrial land to supply the market demands of both developers and users?
- 5) What is your professional assessment of the types of industries attracted to the different areas of the region?
- 6) What incentives would it take to attract companies to San Diego? Once here, what incentives would it take to attract companies to Otay Mesa if their initial interest was North County or North City?

I will call you on Tuesday afternoon, April 24th to coordinate a time when you and your associates will be available to meet with our staff for an hour to an hour and a half during the first part of next week. We will conduct separate meetings with the major brokerages mentioned on the enclosed list.

Thank you for your cooperation to date and I look forward to working with you.

Sincerely,



Susan Madari
Director of Research

SM:clv
Enclosures

Industrial Land - 46
Appendix 3 Exhibit III

BROKER REPRESENTATIVES

Grubb & Ellis

Steve Willhite
Rick Alexander
Steve Scott

John Burnham

John Hucko
Dennis Cruzan
Ken Satterlee
Tom Adams

Coldwell Banker

Nick Psyllos
Joe Smith
Ned Banning
Rod Myers

San Diego Economic Development Corporation**701 B Street, Suite 1850, San Diego, California 92101, (619) 234-8484****June 15, 1984**

**Dr. Andrew Viterbi
President
M/A-COM Linkabit, Inc.
3033 Science Park Road
San Diego, CA 92121**

Dear Dr. Viterbi:

As you may know, Mayor Roger Hedgecock has formed a task force to review the current growth management plan for the City of San Diego. In conjunction with the review being conducted by the task force, a subcommittee, chaired by Ernest Hahn, has been formed to analyze the availability of industrial land and related demand parameters.

EDC has been asked by Mr. Hahn to gather and present information relative to the availability of and need for industrial land in San Diego County. As a result, a thorough update of our industrial land inventory data was undertaken in conjunction with several discussion sessions with representatives of the industrial brokerage community to determine factors relevant to location decisions for industry in San Diego County.

The product of these efforts confirmed that high tech industries have unique location parameters in selecting a site in San Diego. To refine and better understand these site location needs, EDC would like the input of representatives of technology based industries through its High Tech Advisory Council relevant to the following areas:

- 1) From a geographic perspective, are there subregional areas of the county that are more likely to attract technology-based companies or R & D efforts? What are the basic parameters that affect this location decision within the county?**
- 2) In your opinion, is there sufficient opportunity and product to meet the demand for industrial land and buildings for technology based industries? What are acceptable price parameters for either purchase of land or the rental of facility space (per square foot)?**
- 3) Do you have any thoughts on what are (were) the most important factors for your company in selecting a site within San Diego?**

- 4) In your opinion, what incentives would it take to attract companies to San Diego? What incentives would it take to attract companies to Otay Mesa if their initial interest was North County or North City?

Please take time to either write down your thoughts on these questions or call myself or Susan Madaii with your reactions. Your input will provide valuable insight into the site location needs of a major part of the region's industrial market to include in our report to the task force.

I appreciate your time and effort on this matter. We will provide you with a copy of our final report and analysis when it is available.

Thanks for your help. Do not hesitate to call if you have any questions.

Sincerely,


Dan Pegg
President

DP:clv

Exhibits I-IV represent preliminary information for discussion purposes only. The summary of their content is reflected in the body of the final EDC report and data included in Appendix 1.

Exhibit V

EDC RELATED FACILITY AND LAND ABSORPTION

1978-1983

(Expansions and Locations in San Diego)

<u>Year</u>	<u>Total Leased Facility Space</u>	<u>Total Facility Space Associated with Land Purchases</u>	<u>Total Land Purchased</u>
1978	306,400 s.f.	1,512,000 s.f.	124.77 acres
1979	256,000 s.f.	460,000 s.f.	45.85 acres
1980	181,266 s.f.	356,000 s.f.	32.5 acres
1981	255,639 s.f.	1,252,800 s.f.	64.5 acres
1982	52,720 s.f.	950,000 s.f.	307.4 acres
1983	53,200 s.f.	370,000 s.f.	38.7 acres
Total	1,105,22 s.f.	4,900,800 s.f.	613.72 acres

The figures above represent companies EDC worked directly with during the last six years. It is not representative of the entire industrial market place for this time frame.

TASK FORCE REPORT TO THE CITY COUNCIL

December 1984



CITY OF SAN DIEGO

GROWTH MANAGEMENT REVIEW TASK FORCE

RESIDENTIAL CAPACITY Subcommittee Report

**CITY OF SAN DIEGO
GROWTH MANAGEMENT REVIEW TASK FORCE**

**SUBCOMMITTEE ON
RESIDENTIAL CAPACITY**

COMMITTEE MEMBERS: GARY WEBER, CHAIRMAN
AL KERCHEVAL
TOM PAYZANT

STAFF: TIM O'CONNELL, CITY OF SAN DIEGO
DENNIS TURNER, CITY OF SAN DIEGO

November, 1984

CONTENTS

I.	Residential Capacity Analysis	1
II.	Findings and Recommendations.	2
III.	Capacity and Service Matrix Tables.	4
	A. Residential Capacity By Community Plan Area, Housing Unit Ranking By Capacity.	4
	B. Residential Capacity By Community Plan Area, Housing Unit Capacity Analysis.	6
	C. Land Use Adequacy By Community Plan Area, Constraint Matrix	8
IV.	Community Planning Group Member Survey.	9
	A. Issues.	9
	B. Adequacy.	9
	C. Implementation.	9
	D. Growth Management Plan.	10
	E. Growth Management Task Force.	10
	F. Response by Sub-Area.	12
V.	Round Table Discussion.	13
VI.	Appendix.	15
	A. Adjusted Series 6 Housing Forecasts	16
	B. City Statistical Areas.	17
	C. City Census Tracts.	18
	D. Invitation - Roundtable Discussion.	19
	E. Survey - Community Planning Committee Members	20

I. RESIDENTIAL CAPACITY ANALYSIS

The Residential Capacity Subcommittee was charged with examining existing community plan residential capacities, analyzing public facilities and services and surveying community desires. The results of this examination are presented in the following report.

In total, there is sufficient residential capacity at present, and even to the year 2000, based upon existing community plan capacities. According to a City Planning Department Planning Report (84-117), "there remains adequate capacity within the City's already adopted community plans to accommodate growth until past the year 2000" (p. 6). The same report also states that "many communities are zoned for much higher intensity than is called for by the applicable plan" (p. 5). Capacity, however, is defined by the Community Plan land use recommendations, not by existing zoning. Given existing zoning, even more residential capacity is available than shown in this report in certain areas (See Tables A and B).

Planned urbanizing communities generally reflect realistic capacities and are being developed according to adopted plans, guided by Council Policy; although some planning group members disagree. Service needs are being met by fees incorporated into development agreements.

Planning Report 84-117 suggests, however, that over 60 percent of recent growth has occurred in Urbanized communities, most of it on vacant land. Coupled with this was testimony to the Residential Capacity Committee that infill is not necessarily occurring where adequate facilities exist. While a specific Council Policy (600-28) exists to assure that needed capital facilities and services are provided for the Planned Urbanizing Area, there is no counterpart to guide development in the Urbanized Area at present.

An attempt was made, therefore, to develop a matrix quantifying the availability of services relative to population growth (See Table C). During work on this matrix, it became evident that a more sophisticated monitoring system should be developed that evaluates capacity by smaller statistical areas, relates capacity to adequacy of services, and measures the adequacy of available financing relative to infrastructure needs. This is a particularly critical need in the Urbanized Areas. A Council Policy should be developed that responds to this concern.

The following findings and recommendations are offered in response to the charge to inventory existing residential capacities and evaluate facilities and services within communities.

II. FINDINGS AND RECOMMENDATIONS

A. Findings

Present (1984) unutilized residential capacity, City-wide, permits an increase in housing units which exceeds by 72 percent the 1984 projection of demand through the year 2000. By the year 2000, all other factors remaining the same, remaining residential capacity would still exceed year 2000 demand by some 14 percent. This finding is not intended to suggest, however, that new land should not be opened before the year 2000. (See Table A for description of community plan residential capacities.)

Planned Urbanizing communities, generally, are substantially underdeveloped, relative to capacities.

Urbanized communities, generally, are substantially developed, relative to their capacities, although the majority are not yet near total capacity.

Virtually all CIP expenditures are presently allocated to the Urbanized communities, yet the need for services in those areas exceeds available or foreseeable revenues.

Actual plan capacities in developed areas are difficult to measure because of various uncertainties, such as the percent of redevelopable property that will actually redevelop, and the actual density to which it might develop vs. highest permitted density.

Services in certain Urbanized communities are inadequate (growth management has worked too well), but the extent of the inadequacy is difficult to measure because certain standards are unrealistic and because appropriate measurement techniques have not been developed.

Zoning recommendations of adopted community plans have not been implemented in many instances.

B. Recommendations

No new residential land needs to be opened up for urbanization at this time, but a more sophisticated means of measuring residential capacity and adequacy of services needs to be devised.

Community plans should be reviewed and updated regularly.

Zoning should reflect the development patterns incorporated in community plans so as to provide certainty for both residents and builders.

A set of residential statistical areas should be developed that permits a logical aggregation of relevant land use and demographic information. Statistical units should be based on homogeneity and similarity of land uses. Boundaries should be based upon natural and significant man-made separations. Generally, statistical unit boundaries should be adjusted so that the population of the unit should range from five to forty thousand population with a norm of about twenty thousand.

A constraint matrix should be developed that measures the adequacy of all General Plan defined land use criteria by statistical area.

The Capital Improvements Program should prioritize improvements based on highest need, utilizing an objective evaluation of service adequacy by statistical area.

The City's Development Monitoring System should, in effect, be a data monitoring system and should have the ability to correlate development trends with the availability of services.

A Council Policy which will respond to the concerns of development in the Urbanized area relative to the adequacy of infrastructure financing and the adequacy of existing levels of service should be formulated

III. CAPACITY RANKINGS AND SERVICE MATRIX

TABLE A. RESIDENTIAL CAPACITY BY COMMUNITY PLAN AREA¹

Housing Unit Ranking by Capacity

1980		2000	
Over Capacity²		Over Capacity	
Ocean Beach	117%	Ocean Beach	120%
Clairemont Mesa	107%	Clairemont Mesa	112%
Mission Beach	105%	La Jolla	110%
75% - 100% Capacity		Mission Beach	108%
La Jolla	98%	90% - 100% Capacity	
Serra Mesa	97%	Centre City	100%
La Jolla Shores	96%	La Jolla Shores	100%
Skyline/Paradise	93%	Serra Mesa	100%
University South	91%	Skyline/Paradise	100%
Navajo	89%	*South Bay Terraces	100%
Torrey Pines	86%	TJ River Valley East	100%
Otay Mesa/Nestor	86%	University South	100%
North Park	83%	Otay Mesa/Nestor	99%
Uptown	83%	*Miramar Ranch North	98%
Golden Hill	77%	*Scripps Miramar	97%
Pacific Beach	76%	Navajo	95%
50% -74% Capacity		Torrey Pines	95%
San Ysidro	74%	*Penasquitos East	94%
Southeast	72%	*Sabre Springs	94%
Mid-City	69%	*Tierra Santa	93%
Peninsula	68%	*Rancho Bernardo	92%
Barrio Logan	68%	Uptown	91%
Linda Vista	65%	North Park	90%
State University	63%	75% - 89% Capacity	
*Tierra Santa	61%	*Rancho Carmel	88%
*South Bay Terraces	54%	San Ysidro	87%
Mission Valley	52%	*Mira Mesa	85%
(continued next page)		*North City West	84%

TABLE A. (Continued)

Housing Unit Ranking by Capacity

1980		2000	
Under 50% Capacity		Golden Hill	82%
*Mira Mesa	49%	Pacific Beach	82%
*Rancho Bernardo	46%	Southeast	82%
Centre City	44%	Mid-City	79%
*Penasquitos East	43%	Mission Valley	77%
*Scripps Miramar	36%	Under 75% Capacity	
Old San Diego	31%	Peninsula	74%
*University North	27%	Barrio Logan	71%
Midway	25%	Linda Vista	70%
TJ River Valley East	13%	State University	68%
*Otay Mesa	1%	*Otay Mesa	67%
*North City West	--	Old San Diego	62%
*Miramar Ranch North	--	*University North	50%
*Rancho Carmel	--	Midway	45%
*Sabre Springs	--		

*Urbanizing

Source: SANDAG SERIES 6

1. City-wide residential capacity is the sum of the individual community plan capacities.

Community plan residential capacity is an estimate of the total number of residential units which could be developed on all land designated for residential use in the community plan. Plan capacity = (gross acreage of each residential density category) x (density of units permitted in that category) summed for all residential density categories within the community.

2. Development may exceed 100 percent of the calculated residential capacity due to (a) differences between community plan land use designations and densities permitted by actual residential zoning, (b) the residential development potential provided by certain commercial zones, (c) rezonings approved following adoption of the community plan, which create additional or higher density residential acreage, and/or (d) projects which are granted density bonuses as provided under various City ordinances.

TABLE B. RESIDENTIAL CAPACITY BY COMMUNITY PLAN AREA

Housing Unit Capacity Analysis

	1980		2000	
COMMUNITY PLAN AREA (Descending by Population)	Percent of Capacity	Relative Capacity	Percent of Capacity	Relative Capacity
CITY	64%	+	87%	-
URBANIZED AREA	78%	-	88%	-
Mid-City	69%	-	79%	-
Clairemont Mesa	107%	0	112%	0
Southeast	72%	-	82%	-
North Park	83%	-	90%	-
Pacific Beach	76%	-	82%	-
Uptown	83%	-	91%	-
Navajo	89%	-	95%	-
Peninsula	68%	-	74%	-
Otay Mesa/Nestor	86%	-	99%	-
La Jolla	98%	-	110%	0
Linda Vista	65%	+	70%	-
Skyline/Paradise	93%	-	100%	0
Serra Mesa	97%	-	100%	0
Ocean Beach	117%	0	120%	0
Centre City	44%	+	100%	0
Golden Hill	77%	-	82%	-
State University	63%	+	68%	-
University South	91%	-	100%	0
Mission Beach	105%	0	108%	0
Mission Valley	52%	+	77%	-
San Ysidro	74%	-	87%	-
La Jolla Shores	96%	-	100%	0
Torrey Pines	86%	-	95%	-
Midway	25%	+	45%	+
Barrio Logan	68%	-	71%	-
Old San Diego	31%	+	62%	+
TJ River Valley East	13%	+	100%	0

(continued next page)

TABLE B. (Continued)
Housing Unit Capacity Analysis

	1980		2000	
COMMUNITY PLAN AREA (Descending by Population)	Percent of Capacity	Relative Capacity	Percent of Capacity	Relative Capacity
PLANNED URBANIZING	30%	+	83%	-
Mira Mesa	49%	+	85%	-
Rancho Bernardo	46%	+	92%	-
Tierra Santa	61%	+	93%	-
Penasquitos East	43%	+	94%	-
University North	27%	+	50%	+
South Bay Terraces	54%	+	100%	0
Scripps Miramar	36%	+	97%	-
Otay Mesa	1%	+	67%	-
North City West	--	+	84%	-
Miramar Ranch North	--	+	98%	-
Rancho Carmel	--	+	88%	-
Sabre Springs	--	+	94%	-

Source: SANDAG SERIES 6

- (+) Remaining residential capacity exceeds projected year 2000 demand by at least 50 percent
- (-) Remaining residential capacity exceeds year 2000 demand by less than 50 percent
- (o) Existing development equals or exceeds residential capacity (See note 2 under Table A for how this may occur).

TABLE C. LAND USE ADEQUACY BY COMMUNITY PLAN AREA CONSTRAINT MATRIX

(A suggested listing of parameters to be measured and evaluated)

	Community Plan Areas											
Residential Capacity												
Housing												
Allocation												
Balance												
Transportation												
Streets												
Parking												
Transit												
Schools												
Buildings Site												
Parks												
Number												
Acreage												
Proximity												
Libraries												
Number												
Collections												
Proximity												
Police												
Fire												
Water												
Sewer												
Protected Land Forms												
Open Space												
Flood Plain												
Agriculture												

IV. MEMBER SURVEY COMMUNITY PLANNING GROUPS

In May, approximately 500 questionnaires were mailed to the members of the City's recognized planning groups. Somewhat over 100 were returned and these responses form the basis of this analysis.

A. Issues

Overall, the personal concerns of the respondents matched their perceptions of the attitudes of the planning group that they represented. In general, the following were identified as important issues, in order of frequency of response:

1. The need to manage growth;
2. Traffic congestion and circulation;
3. Impact of density; and
4. Adequacy of services and facilities, with open space mentioned most frequently, followed by parks.

Beyond these issues the personal responses reflected concerns about environmental issues, whereas the planning groups as a whole were most concerned about adherences to Community Plans by decision-makers.

B. Adequacy of Community Plans

Over half of the respondents think that the Community Plans are addressing the needs of their neighborhoods. About one-third responded that they were not.

C. Implementation

Respondents were generally pleased that planning groups provide an opportunity to give input into the planning process and permit them to have some impact on development.

Coupled with this is noticeable dissatisfaction because plans are not upheld by the Planning Commission and the City Council. The lack of implementing ordinances was cited most frequently as evidence of this.

D. Growth Management Plan

Respondents suggested that the City's Growth Management Plan should:

1. Insure orderly, well-planned growth that pays its own way;
2. Maintain canyons and open space; and
3. Preserve and protect San Diego's Quality of Life.

E. Growth Management Task Force

Respondents suggested that the Task Force should:

1. Ensure that existing communities are not negatively impacted by new growth and development;
2. Develop enforceable guidelines and ordinances for the Growth Management Plan; and
3. Work with the Community Planning Groups.

F. Variation of Responses by Sub-Area

The following analysis reflects differences in response by subareas of the City. Also included is a matrix that summarizes responses.

Issues: The Coastal area seems to reflect satisfaction with the Coastal Commission's implementation strategy. The problems of density and circulation still exist, but the need to "control growth" is not expressed as it is in other areas.

The Urbanized areas are concerned with the adequacy of facilities and services, whereas the Urbanizing areas reflect environmental concerns including air quality and water supply.

All areas express a high degree of concern about transportation and open space.

Implementation: The Coastal areas consider implementing a product of the Coastal Commission. The Urbanized areas expressed concern that zoning does not conform with Plan recommendations, while the Urbanizing areas are concerned with an excess of Plan Amendments. Both the Urbanized and Urbanizing areas suggest that traffic problems remain unresolved.

Growth Management Plan: All areas want adopted Plans implemented. All want planned, orderly growth. Urbanized areas desire adequate facilities and services as a result of Growth Management efforts, while Urbanizing areas seek to avoid "urban sprawl" through managed growth.

Growth Management Task Force: The Task Force is requested to seek public input, insure that growth is planned and managed, and seek solutions to transportation problems.

RESPONSE BY SUBAREA		
COASTAL	URBANIZED AREA	PLANNED URBANIZING AREA
ISSUES <ul style="list-style-type: none"> °Densification °Traffic °Parking 	<ul style="list-style-type: none"> °Controls on growth °Adequacy of facilities °Traffic °Preservation of canyons and open space °Impact of low income housing 	<ul style="list-style-type: none"> °Controls on Growth °Transportation °Impact of new development °Air pollution °Water supply
IMPLEMENTATION <ul style="list-style-type: none"> °Coast Commission as facilitator 	<ul style="list-style-type: none"> °Zoning not in conformance with Plan °Traffic and parking unresolved °Too many Plan amendments 	<ul style="list-style-type: none"> °High level of public participation °Density and traffic unresolved
GROWTH MANAGEMENT PLAN <ul style="list-style-type: none"> °Implement adopted Plan 	<ul style="list-style-type: none"> °Resolve parking and density issues °Insure adequate facilities °Insure planned, orderly growth 	<ul style="list-style-type: none"> °Avoid urban sprawl °Plan orderly growth °Plan adequate transportation
GROWTH MANAGEMENT TASK FORCE <ul style="list-style-type: none"> °Plan and control growth 	<ul style="list-style-type: none"> °Enforce plans °Public Transit °More citizen input 	<ul style="list-style-type: none"> °Avoid impacting existing areas with new growth °Resolve transportation problem °Work with Planning Group

V. ROUND TABLE DISCUSSION

In an attempt to evaluate community desires relative to growth management process, a round table discussion was held on April 6, 1984, in the City Administration Building.

Representatives of several impacted communities and the building industry, all active in the land use process, were invited to share their perceptions.

Following is a summary of thoughts and perceptions offered at that meeting:

- ° The private sector must be induced through regulation and/or incentives to meet community needs as development occurs. The lack of a supermarket in all of Southeast was offered as an example of an unfulfilled need, as was the deficiency of medical offices and treatment facilities. Expanded redevelopment efforts were raised as a possible solution.
- ° The effectiveness of the City's infill policy was raised. It was mentioned that certain areas targeted for infill in the 1970's had inadequate facilities and services at that time and still do. In Southeast, for example, streets and schools have never been adequate. In Mid-City parks were identified as deficient in the 1965 Plan.
- ° The Task Force was challenged to find a means of meeting the infrastructure needs.
- ° It was suggested that City review of proposed development projects sometimes interprets adopted Plans to the dissatisfaction of community planning groups.
- ° The issue of locating "undesirable uses" (truck stops, energy recovery plants, landfills) was raised. It was suggested that these are situated in areas of least resistance instead of being "planned".
- ° Council Policies were observed as being well thought out but flawed in interpretation.
- ° The need to raise public issues to a higher level of public awareness was discussed.
- ° A suggestions was made that community representatives need an "ombudsman" within the bureaucracy to service their needs. It was pointed out that this was recommended by Dr. Freilich in the original set of growth management recommendations.

- ° Representatives of both the community groups and the building industry expressed frustration with the bureaucratic process and suggested that more certainty was needed.

VI. APPENDICES

- A. Table: Adjusted Series 6 Housing Forecasts by Community Planning Areas (includes community plan residential capacities)
- B. Map: Statistical Areas, City of San Diego
- C. Map: 1980 Census Tracts
- D. Letter inviting participants to round table discussion
- E. Survey Questionnaire to members of community planning committees

ADJUSTED SERIES 6 FORECASTS BY COMMUNITY PLANNING AREAS

TOTAL HOUSING UNITS

Community Planning Areas	Census 1980	Change 1980-1984	Estimate 1984	Change 1984-1990	1990	Change 1990-1995	1995	Change 1995-2000	2000	Change 1980-2000	Community Plan Capacity	Change 2000-2000
ENTIRE CITY	341,928	21,573	363,501	38,599	402,100	30,900	433,000	30,500	463,500	121,572	535,340	71,840
URBANIZED AREAS	294,760	13,023	307,783	13,917	321,700	6,600	328,300	5,400	333,700	38,940	378,270	44,570
Barrio Logan	949	-5	944	56	1,000	-	1,000	-	1,000	51	1,400	400
Centre City	6,363	947	7,310	3,690	11,000	2,000	13,000	1,300	14,300	7,937	14,300	-
Clairemont Mesa	30,132	1,010	31,142	158	31,300	200	31,500	200	31,700	1,568	28,200	-3,500
Greater Golden Hill	5,702	385	6,087	13	6,100	-	6,100	-	6,100	398	7,400	1,300
La Jolla	10,782	228	11,010	490	11,500	300	11,800	300	12,100	1,518	11,000	-1,100
La Jolla Shores	2,887	45	2,932	68	3,000	-	3,000	-	3,000	113	3,000	-
Linda Vista	9,072	533	9,605	95	9,700	-	9,700	-	9,700	628	13,900	4,200
Mid-City	45,730	2,616	48,346	1,654	50,000	1,000	51,000	1,000	52,000	6,270	66,000	14,000
Midway	1,202	120	1,322	778	2,100	-	2,100	-	2,100	898	4,700	2,600
Mission Beach	4,212	-3	4,209	91	4,300	-	4,300	-	4,300	88	4,000	-300
Mission Valley	3,867	458	4,325	475	4,800	500	5,300	500	5,800	1,933	7,500	1,700
Navajo	18,682	747	19,429	571	20,000	-	20,000	-	20,000	1,318	21,000	1,000
Ocean Beach	7,084	63	7,147	153	7,300	-	7,300	-	7,300	216	6,050	-1,250
Old San Diego	502	287	789	211	1,000	-	1,000	-	1,000	498	1,600	600
Otay Mesa-Nestor	12,771	1,176	13,947	753	14,700	-	14,700	-	14,700	1,929	14,900	200
Pacific Beach	20,314	358	20,672	328	21,000	300	21,300	300	21,600	1,286	26,200	4,600
Pacific Highway	70	-	70	30	100	-	100	-	100	30	70	-30
Park North-East	20,669	935	21,604	396	22,000	300	22,300	300	22,600	1,931	25,000	2,400
Peninsula	16,016	537	16,553	847	17,400	-	17,400	-	17,400	1,384	23,400	6,000
San Ysidro	3,461	129	3,590	310	3,900	200	4,100	-	4,100	639	4,700	600
Serra Mesa	8,770	8	8,778	222	9,000	-	9,000	-	9,000	230	9,000	-
Skyline-Paradise Hills	9,016	408	9,424	276	9,700	-	9,700	-	9,700	-	9,700	-
Southeast San Diego	23,766	917	24,683	817	25,500	800	26,300	800	27,100	3,334	33,200	6,100
State University	5,377	149	5,526	174	5,700	100	5,800	-	5,800	423	8,500	2,700
Tia Juana River Valley (East)	177	214	391	409	800	300	1,100	300	1,400	1,223	1,400	-
Torrey Pines	2,622	161	2,783	117	2,900	-	2,900	-	2,900	278	3,050	150
University (South)	5,340	118	5,458	242	5,700	200	5,900	-	5,900	560	5,900	-
Uptown	19,225	482	19,707	493	20,200	400	20,600	400	21,000	1,775	23,200	2,200
PLANNED URBANIZING AREAS	46,709	8,604	55,313	24,627	79,940	24,280	104,220	25,080	129,300	82,591	156,620	27,320
East Elliott	-	-	-	-	-	-	-	-	-	-	2,760	2,760
Fairbanks Country Club	-	-	-	139	139	81	220	80	300	300	340	40
Mira Mesa	12,113	1,392	13,505	2,395	15,900	2,500	18,400	2,500	20,900	8,787	24,500	3,600
Miramar Ranch North	-	-	-	1,600	1,600	1,800	3,400	600	4,000	4,000	4,100	100
North City West	47	43	90	3,510	3,600	3,600	7,200	4,500	11,700	11,653	14,000	2,300
Otay Mesa	185	22	207	2,293	2,500	4,000	6,500	5,000	11,500	11,315	17,200	5,700
Penasquitos East	6,334	1,360	7,694	2,106	9,800	2,000	11,800	2,000	13,800	7,466	14,700	900
Rancho Bernardo	7,699	1,140	8,839	2,461	11,300	2,000	13,300	2,000	15,300	7,601	16,700	1,400
Rancho Carmel	-	-	-	1,800	1,800	2,000	3,800	2,500	6,300	6,300	7,200	900
Sabre Springs	-	-	-	1,000	1,000	2,000	3,000	2,000	5,000	5,000	5,300	300
Scripps Miramar Ranch	2,261	903	3,164	1,836	5,000	500	5,500	500	6,000	3,739	6,200	200
Sorrento Hills	-	1	1	-	1	99	100	-	100	100	120	20
South Bay Terraces	4,878	2,091	6,969	1,031	8,000	800	8,800	200	9,000	4,122	9,000	-
Tierrasanta	7,147	746	7,893	1,907	9,800	500	10,300	700	11,000	3,853	11,800	800
University (North)	6,045	906	6,951	2,549	9,500	2,400	11,900	2,500	14,400	8,355	22,700	8,300
FUTURE URBANIZING AREAS	116	37	153	17	170	20	190	20	210	94	150	-60
San Pasqual	75	1	76	4	80	-	80	-	80	5	80	-
Tia Juana River Valley (West)	41	-	41	9	50	10	60	10	70	29	70	-
Reserve	-	36	36	4	40	10	50	10	60	60	-	-60
MILITARY & PARKS	343	-91	252	38	290	-	290	-	290	-53	300	10



1980 CENSUS TRACTS CITY OF SAN DIEGO AND VICINITY

CENSUS TRACT BOUNDARIES AS OF APRIL 1980



PREPARED BY CITY PLANNING DEPARTMENT



CITY OF SAN DIEGO

GROWTH MANAGEMENT REVIEW TASK FORCE

C/O CITY PLANNING DEPARTMENT • 202 "C" STREET SAN DIEGO, CALIF. 92101 • 236-6460

May 8, 1984

Survey to members of community planning committees

Please be concise so that we can make best use of your response.

Planning Group Name _____

Your Name (Optional) _____ Years as Member _____

What issues are most important to you?

1. _____ 2. _____

3. _____ 4. _____

What issues are most important to your planning group?

1. _____ 2. _____

3. _____ 4. _____

Does your Community Plan address the needs of your community? _____

Is it being implemented to your satisfaction?

Yes, in the following ways: _____

No, not in these areas: _____

What do you hope to see the City's Growth Management Program accomplish?

Do you have any specific suggestions for the Task Force as it reviews the Growth Management Plan? _____

Please mail survey to: City Planning Department, c/o Ann Leinen
202 "C" Street, M.S. 4A
San Diego, CA 92101



CITY OF SAN DIEGO

GROWTH MANAGEMENT REVIEW TASK FORCE

C/O CITY PLANNING DEPARTMENT • 202 "C" STREET SAN DIEGO, CALIF. 92101 • 236-645

March 30, 1984

Invited: City Staff - Planning, Manager
Verna Quinn - Southeast Development Committee
Steve Temko - Mid-City (Save Our Neighborhoods)
Lynn Benn - Torrey Pines Community Planning Group
Kim Kilkenny - Construction Industry Federation

Dear

On behalf of the Growth Management Review Task Force, I would like to request your presence at the next subcommittee meeting on Residential Capacity.

Of great importance to this task force is community and industry input. We offer you this opportunity to express your perceptions of the growth management process. The following questions may be used as a guide for your presentation.

- Have you been asked to provide input to the growth management process?
- Do you feel that your input is seriously considered on problems you bring to the City's attention?
- In what areas has the City been most or least helpful?
- Describe any problems with the process that, in your opinion, limit your effectiveness.
- What would you change if you could, and how would you change it? Please reflect as well on those aspects of the program that are working to your satisfaction.

Presentations should be limited to 10 minutes, after which an open discussion with task force members will occur.

This meeting will be held April 6, 1984, 8:00 a.m. - 12:00 noon, 202 "C" Street, 5th floor conference room. If you have any further questions, please call me at 236-6367.

Sincerely,

Tim O'Connell
Senior Planner

TOC:AL:lf

Residential Capacity - 19

TASK FORCE REPORT TO THE CITY COUNCIL

December 1984



CITY OF SAN DIEGO

GROWTH MANAGEMENT REVIEW TASK FORCE

QUALITY OF LIFE Subcommittee Report

**CITY OF SAN DIEGO
GROWTH MANAGEMENT REVIEW TASK FORCE**

**SUBCOMMITTEE ON
THE QUALITY OF LIFE**

COMMITTEE MEMBERS: AUTHOR HUGHES, CHAIRMAN
PHIL PRYDE
LYNN BENN
GERALD HIRSHBERG

STAFF: PAUL CURCIO, CITY OF SAN DIEGO
ELLEN MOSLEY, CITY OF SAN DIEGO
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October 1984

CONTENTS

I. Goals and Procedures	1
II. Recommendations	2
A. Livability	2
B. Access	4
C. Sense of Place and Time	6
D. Responsiveness	7
E. Pleasure and Sensibility	7
F. Conservation	8
III. Summary	10
IV. References	12



GROWTH AND ENVIRONMENTAL QUALITY IN SAN DIEGO

I. GOALS AND PROCEDURES

The Quality of Life subcommittee of the Growth Management Review Task Force was established to examine the relationship between growth in the City of San Diego and the quality of life of its residents.

It became clear early in our work that "Quality of Life" is an extremely broad concept and would have to be more specifically defined. Quality of Life, in addition to being a broad concept, is also a personal one; thus, the most important element of the Quality of Life to one person might be more accessible health facilities, to another less crowded beaches, and to a third better quality in their neighborhood schools.

It was decided that a workable framework would embrace questions on the quality of San Diego's physical environment, to include both what is natural and what is built. Specifically, we defined "quality of the environment" as creating and preserving the best aspects of those elements of San Diego's natural and built environments that relate to land use issues and policies.

With the foregoing as a framework, the next question was procedure. Since the adopted response to growth in San Diego is the existing Growth Management Plan which has been incorporated into the Progress Guide and General Plan for the City (hereafter "General Plan"), it was decided that the most manageable way to proceed would be to examine the present provisions of the General Plan to determine their adequacy as they relate to growth.(1) Our recommendations therefore take the form of modifications or additions to those provisions.

Rather than simply list our recommendations as an element by element review of the General Plan, a somewhat different approach was decided upon. The well-known Appleyard and Lynch report, Temporary Paradise? has for a decade received wide critical acclaim and has served as a catalyst for much of the discussion of the future form of the city that has taken place in the interim.(2)

It was decided to use the "six basic values (or 'environmental rights')" described by Appleyard and Lynch as the point of departure for organizing the subcommittee's presentations. These six values are: Livability, Access, Sense of Place and Time, Responsiveness, Pleasure and Sensibility, and Conservation. Accordingly, our recommendations have been grouped under the headings of these six environmental goals.(3)

A number of programs have been initiated or approved which address these six basic values. Amendments to the Open Space Element, Land Development Ordinance, Council Policy 600-23, the Energy Work Program and the Urban Design Program are some examples of planning efforts that are currently underway.(4)

Representing the results of numerous subcommittee meetings over the past four months, the following recommendations are presented to the full Task Force, with the goal of maintaining and hopefully improving the level of San Diego's environmental quality.

II. RECOMMENDATIONS

- A. **"Livability:** An environment in which one can act with competence, free from such dangers and discomforts as noise, pollution, accident, heat, glare, and fatigue."(5)

In addition to minimizing the various forms of pollution that can afflict urban areas, "livability" also implies reinforcing the process known as Urban Design.

The goal of San Diego's proposed Urban Design Program is to create a pleasant, logical, and complimentary visual and functional pattern for the city, sometimes referred to as a "cohesive urban fabric". Urban Design is in the most general sense the process of giving physical design direction to urban growth, conservation and change. The discipline includes landscape and building design for both preservation and new construction that is located either in rural areas or urbanized communities. To this end, the following recommendations are offered:

1. Revitalization of existing communities and their infrastructure in conjunction with exurban restraint should be reaffirmed as the overriding directive governing future development, thus optimizing the level of public facilities and services.
2. Many issues which affect the Quality of Life in San Diego are regional issues and cross municipal boundaries (e.g. solid waste disposal facilities). The resolution of these issues depends on the existence of effective regional authorities; appropriate regional agencies should have greater ability to resolve these types of problems.
3. The Urban Design Program of the City Planning Department should be given a funding priority that

will allow for the accomplishment of area specific plans and programs, City-wide performance standards, and special projects as outlined in the Urban Design Program Scoping Document.(6) The City should develop this program with the aid and support of various representatives of the community. Depending on the nature of the issue at hand, City staff should seek the input of the real estate development, architectural, graphic design, banking and legal professions; an ad hoc urban design advisory committee, appointed by the Planning Director, would aid in the decision making process of this program.

4. Of specific urgency to the revitalization of Centre City is a master plan update reflecting and coordinating the plans of all separate entities; CCDC, Unified Port District, City Planning, MTDB and the U.S. Navy. In addition, the eastern frame of the Centre City should be rezoned from industrial to a designation which will better address community plan recommendations. This new zone, coupled with modifications to the existing Central Business District (CBD) designation should specifically include height and bulk guidelines as well as street level design criteria.
5. The City Urban Design staff should be involved at an early stage in the planning and design of all public projects; these projects represent the City's greatest opportunity to demonstrate it's commitment to excellence.
6. The San Diego Unified Port District should be requested to study the utilization of some tide lands for high density housing. In addition, alternatives to on grade parking should be studied in order to allow a greater portion of the waterfront to be used for parks and development which will strengthen the relationship of Centre City to the harbor.
7. The City and CALTRANS should establish a Freeway Enhancement Program. Special consideration should be given to preserving and enhancing the image of San Diego, from the Freeway. Areas of immediate concern within this proposed program are building setbacks, landscaping, signage criteria and design guidelines for sound attenuating walls.

8. The scope of the General Plan's Resources Management Element should be expanded to include all cultural institutions and amenities such as museums, concert halls, theatres, and outdoor concert facilities.
 9. The Planning Department is presently developing energy guidelines. Included in this program should be solar access guidelines for discretionary permits. In addition, the Building Inspection Department should also adopt these guidelines for ministerial projects.
 10. The City Council should adopt a Policy affirming a commitment to achieving and maintaining established ambient air quality standards. In order to achieve this goal specific transportation measures such as reducing on-street parking, increasing off-street parking fees, and preferential parking for ride-sharers should be put into effect.
 11. The City should pursue with urgency the development of an international waste water reclamation plant.
 12. In order to accommodate industrial growth an increase in Class I (e.g. toxic wastes) disposal facilities is needed.
 13. The City and the local public utilities agency should accelerate the rate of undergrounding utility lines.
- B. **"Access:** A region in which all groups ... have equal access to work places, educational and medical facilities, recreation and open space, and to public environments of equal quality."(7)

The freedom of movement and ability to have access within the region is key to enjoying the natural environment and nurturing a cohesive urban fabric. Thus, a balanced transportation system is of utmost importance in avoiding future congestion, providing all options of travel, and minimizing air pollution. To this end we offer the following recommendations:

1. The development of an expanded multifaceted mass transit system is critical in achieving a balanced transportation system in San Diego. Now is the time to establish and monitor implementation mechanisms and to encourage San

Diegans to take an active role in the development of such a system. The best way to achieve this goal will be to emphasize the need for substantial local funding sources to augment State and Federal support programs (e.g. Council's recent decision to increase the Transient Occupancy Tax (TOT) by one percent in support of the development of a more efficient multifaceted mass transit system).

2. There must be an ongoing effort to promote and implement mass transit development. Some examples of these mechanisms are: peripheral parking lots for large employers, high density development where mass transit capacity is available parking requirements related to transit availability, and the development of a Transportation Terminal downtown.
3. In appropriate areas such as Mission Valley, incentives (e.g. density bonus, lower parking requirements) for developers to provide rights-of-way for mass transit should be implemented.
4. The Planning Department should establish community specific and city-wide standards of acceptable levels of arterial congestion and arrive at and attain mode splits that would maintain these levels as growth occurs. This directive is essential to the provision of adequate fire and police protection which are dependent on minimal response times.
5. Community plans and zoning should be amended to intensify development where mass transit is or will be available (as indicated by current funding programs). This will result in the identification of transit nodes and corridors.
6. A Regional Transit Authority should be established to better coordinate interjurisdictional mass transit facilities.
7. The Unified Port District should be encouraged to make aesthetic and functional improvements to Lindbergh Field including modifications to the airport approach roads, the development of multi-level parking structures, and the extension of the Light Rail Transit (LRT) to the airport from downtown.

8. In as much as studies have shown that Miramar N.A.S. is the most suitable site for a full service, regional, commercial airport, we recommend that local authorities pursue negotiations with the Navy for joint commercial use of Miramar.(8)
 9. The implementation of the City-wide Bikeway and Trail System Master Plan should be expedited and additional funding mechanisms explored to ensure its completion.
 10. A transportation network should be developed, as discussed in the Transportation Element, to provide access to regional and community parks.(9)
 11. The Light Rail Transit (LRT) System should be coordinated with the freeway and bus system.
 12. The City should support improvements to Amtrak services, including both local commuter service and direct high speed Amtrak service to Los Angeles.
- C. **"Sense of Place and Time:** A landscape which has that definite sense of place and history of which citizens can be proud, and where the different communities take pride in their own territories."(10)

San Diego is unique among American cities in that most of its constituent communities are well-defined by natural landforms, in the majority of cases by attractive, verdant canyons. Well defined communities are more apt to have a pride of location, and to take better care of their own appearance and infrastructure, which is to the benefit of the entire city. The subcommittee feels the preservation of these community-defining landforms should be given a high priority. Some of the specific recommendations for accomplishing this will appear under other related headings.

To these ends, we offer the following recommendations:

1. The Planning Department and the Park and Recreation Department should coordinate a city-wide master plan of trails, greenbelts and open space systems.
2. The Planning Department should initiate a City-wide survey of available cultural resources and subsequently enact a cultural overlay zone.

3. The San Diego Unified Port District and other appropriate agencies should be requested to study passenger Ferry service to the following destinations:

Centre City San Diego, Coronado, Point Loma, Harbor/Shelter Islands.

4. Variable park standards should be developed for urbanized communities, commensurate with local needs, and should be addressed in the Park and Recreation Element for each community.
5. Any project falling within the boundaries of the Central City and within the jurisdiction of the Urban Design Review Board shall allocate one percent of the capital cost of the project (excluding cost of land) for fine art and public amenities outside of the project and the exterior walls of the project. These funds will be designated for specific improvements and art by mutual approval of the developer and the design review board.

- D. **"Responsiveness:** An environment in the human scale, which allows personal control and the expression of personal values."(11)

In order to achieve managed growth while preserving and enhancing our environment, developmental policies, actions, agency responsibilities, and implementation authority must be clearly identified and comprehensively coordinated. At the same time, individual participation and responsibility must be encouraged and safeguarded.

To achieve this, we offer the following recommendations:

1. The City should reinforce and restructure the Quality of Life Board to perform the following duties: act as an advocate for the public interest in Environmental Quality and monitor the implementation of the policies established in the Progress Guide and General Plan.
2. Community planning groups should be strengthened by staff attendance and given more responsibility in the planning process.
3. Local library facilities should be available for longer hours to serve their constituents.

4. The San Diego library system should provide resources which will better reflect the multicultural makeup of the City.
5. Recognizing the demonstrated success and community desire for outdoor summer symphony concerts, the formation of a task force to study and implement the creation of a permanent home for the San Diego summer concert series should be undertaken. Consider site selection for a park-like setting and concert shell. Coordinate the private, public and cultural institutions required to actualize this event as a permanent part of San Diego's cultural heritage.

E. **"Pleasure and Sensibility:** A landscape that is a pleasure to live in, where the senses are heightened by its richness, aesthetic quality, and sense of life."(12)

The regional land forms are major determinants of our perceived image of San Diego, and are a major part of what constitutes the local quality of life. Thus, conservation of our natural land forms should be a primary determinant in where and how we develop, both for aesthetic and for public health and safety reasons.

We offer the following specific recommendations:

1. The policies of the City should be directed to preserve natural land forms, especially canyons with undisturbed natural vegetation; avoid cantilevered structures over natural slopes; avoid the creation of manufactured slopes where revegetation without permanent irrigation is unlikely; and discourage development in areas of sedimentary strata where resultant slopes are in excess of 2:1 unless a slope of 1.5:1 can be shown to be stable and self revegetating. City policy should also provide that natural slopes in excess of 1.5:1 should not be developed and should be retained in their natural state unless development would result in overriding public benefit or be necessary to protect existing development.
2. Insure that sensitive areas are included in community plan open space elements and assure appropriate zoning for parcels designated as open space, by requiring departmental review of all affected areas.

3. An emphasis should be placed on designation and acquisition of open space in urbanized communities when recreational standards are not otherwise met.
4. The Planning Department and the City Attorney should explore methods for facilitating the use of the Transfer of Development Rights process with associated rezoning, in conformance with the community and General Plan, to encourage the preservation of Open Space.
5. The landscape and revegetation requirements of the Land Development Ordinance should be vigorously enforced and the City should require longer maintenance periods where they are needed.
6. The City Attorney should draft a City-wide ordinance requiring planned unit development permits for all development on or adjacent to designated open space, or environmentally sensitive areas.
7. The City Planning Department should develop a set of design criteria to insure that artificial slopes and land forms conform aesthetically to surrounding terrain.

F. "Conservation: A place in which all valuable resources both natural and urban, are cared for and conserved."(13)

The identification of significant local resources, and their conservation are basic components of any enlightened planning process. In addition, considerations of public health, safety, and welfare are also often involved.

For conserving key elements of San Diego's natural environment, we offer the following recommendations:

1. Recognizing that flooding patterns are not accurately predictable in the arid southwest, the City should adopt policies prohibiting development in the floodplains as a norm. If the floodway area is presently lacking structural development, it should be retained in its natural condition when there is no danger to life and property.
2. The City should initiate a natural resource management program for adoption by the City Council. These natural resources should include

but not be limited to plants, animals, mineral resources and water resources.

3. Advanced solid waste treatment technology (e.g. methane recovery, resource recovery, cogeneration and recycling residue) should be explored and developed in light of its long term benefit rather than short term cost.
4. The City should intensify efforts for minimizing waste, with specific programs to include: legislation for recyclable containers and tax benefit programs for commercial recycling and reclamation plants.
5. The Planning Department should establish landscaping design guidelines which require conservation, an emphasis on drought tolerant plantings and with an emphasis also on the use of landscaping to stabilize slopes.

III. SUMMARY

Growth in the San Diego region is inevitable. The efforts of public officials and citizens should be directed towards taking full advantage of the productive aspects of population growth. Growth need not result in significant additional pollution, traffic congestion or higher crime rates if properly managed and its effects adequately mitigated. To this end the revenues generated by growth must be channeled into programs which will reduce pollution, decrease congestion levels and improve public services.

The Quality of Life Subcommittee Report indicates that the best way to "manage" growth is to allow local landforms to determine where we develop, with the Urban Design Program serving as a guide to how we develop.

The interaction of these two strategies, Growth Management and Urban Design, generate the framework within which development will be accommodated, while preserving environmental quality and thus the Quality of Life in San Diego.

San Diegans concerned with preserving environmental quality should insist upon strict adherence to the General Plan document and the strict monitoring of its policies and programs. This will best be expedited by linking the review and policy making process with stricter accountability regarding policy implementation.

While this report acknowledges that progress has been made with regards to the issues identified above it is imperative that we reaffirm the goals and recommendations described in Temporary Paradise?. San Diegans have two choices: urban sprawl as witnessed by the development patterns of our neighbors to the north or the development of a deliberately and comprehensively planned humane environment. This report attempts to guide us towards the latter development pattern and thus preserving the quality of life which is San Diego.

IV. References

1. Progress Guide and General Plan, City of San Diego, California, February, 1979
2. Temporary Paradise? By Kevin Lynch and Donald Appleyard, 1974
3. Ibid.
4. Open Space and Sensitive Area Preservation Study, City Planning Report No. 84-427
5. Temporary Paradise? By Kevin Lynch and Donald Appleyard, 1974
6. Application of Urban Design Element, City Planning Information Report No. 84-388
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8. 1980 Regional Transportation Plan, 1980, San Diego Association of Governments (SANDAG)
Airport Systems Plan Update of the San Diego Plan for Air Transportation, March, 1981, (SANDAG)
9. Progress Guide and General Plan, City of San Diego, California, Transportation Element, February, 1979
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11. Ibid.
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TASK FORCE REPORT TO THE CITY COUNCIL

December 1984



CITY OF SAN DIEGO

GROWTH MANAGEMENT REVIEW TASK FORCE

INFRASTRUCTURE FINANCING

Subcommittee Report

**CITY OF SAN DIEGO
GROWTH MANAGEMENT REVIEW TASK FORCE**

**SUBCOMMITTEE ON
INFRASTRUCTURE FINANCING**

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December, 1984

CONTENTS

I.	CONCLUSIONS AND RECOMMENDATIONS	1
II.	INTRODUCTION	5
III.	BACKGROUND	6
	A. HISTORICAL PERSPECTIVE TO PROVIDING FUNDS FOR PUBLIC FACILITIES	6
	B. FACTORS REQUIRING CHANGES IN FINANCING FACTORS	7
	1. Revenue Limitations	7
	2. Spending Limitations	8
	C. GROWTH IN DEMAND FOR PUBLIC INFRASTRUCTURE FUNDS	10
	D. PROJECTED TRENDS IN PUBLIC INFRASTRUCTURE FINANCING	11
	E. APPROACHES TO FUNDING GROWTH	20
IV.	REVIEW OF THE PROGRESS GUIDE AND GENERAL PLAN (1979) REGARDING PUBLIC FACILITY FINANCING AND GROWTH MANAGEMENT	20
V.	REVIEW OF PRESENT SYSTEM FOR PROVIDING PUBLIC FACILITIES	22
	A. URBANIZED AREA	22
	B. PLANNED URBANIZING AREA	23
	1. Subdivision Map Act	23
	2. Special Fees and Park Fees	23
	3. Cost Recovery Districts	24
	4. State/Federal Grants	24
	5. Special Assessments Districts	24
	6. Development Impact Fees	25
	7. Facilities Benefit Assessments Districts	25
	C. SCHOOL FINANCING	26
VI.	COMPARISON OF PLANNED APPROACH AND ACTUAL FINANCING TECHNIQUES .	27
	A. VARIATIONS	27
	B. IMPACTS	28
VII.	REVIEW OF BASIC CONCEPTS OF WHO - HOW - WHEN - SHOULD MAKE PROVISIONS FOR PUBLIC FACILITIES	28
VIII.	APPENDICES	29
	A. COST ALLOCATION MATRIX	31
	B. URBAN INSTITUTE REPORT	37
	C. FUNDING GROWTH-RELATED INFRASTRUCTURE IN OTHER AREAS	52
	D. CITY OF SAN DIEGO SCHEDULE OF FEES	54
	E. DESCRIPTION OF EXPENSE (DEMAND) AND REVENUE CATEGORIES.	55
	F. ADDITIONAL CITY REVENUES GENERATED BY INCREASES IN SELECTED TAXES	57

I. CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

On a City-wide basis long-term projections indicate that revenue will be inadequate to support both current public facility standards and desired maintenance levels.

The financing strategy for the Urbanized Area communities set forth in the General Plan anticipated adequate City funding through the Capital Improvements Program. However, the total funding available has been and will continue to be inadequate to satisfy the needs in the Urbanized communities.

The inability to impose property tax increases has eliminated the use of general obligation bonds as an infrastructure financing technique and caused the City to rely upon assessments and exactions to fund public facilities needed to serve new growth.

The shift to funding public facilities by private development avoids the Capital Improvements Program budgeting process, which has historically acted as a constraint in meeting public facility standards. This shift may have produced more amenities such as parks and open space, thereby increasing City maintenance costs.

RECOMMENDATIONS

Appropriate gas, sales, business license and/or transient occupancy tax increases should be pursued to off set the projected cumulative shortfall in City revenues.

Non-traditional forms of financing which optimizes tax benefits available to the private sector, shall be studied regarding the acquisition and development of parks and recreation facilities, police, fire, library buildings and other improvements. Outside consultants should be utilized as necessary.

Maintenance standards for all public facilities should be studied to determine their optimum level in order to minimize the fiscal impact on the City operating budget.

Privatization of the operation and maintenance of parks and recreation, police, fire, library buildings and improvements should be studied, utilizing outside consultants as necessary.

The City Capital Improvements Program should be arranged by community City-wide, in addition to categories of improvements as it is presently portrayed.

The City should continue to work closely with local legislative delegation and the development industry to improve existing financing tools and methods.

CONCLUSIONS

Continued infill, rehabilitation and redevelopment in Urbanized Area communities require a greater commitment of City capital funding than is currently available or is projected to be available in future years.

The financing strategy for the Planned Urbanizing Area communities, as set forth in the General Plan, has assured that public facilities will be funded and installed in a timely manner.

The Facilities Benefit Assessment provides a reasonably equitable method of spreading infrastructure costs in the Planned Urbanizing Area.

Statewide initiatives such as Proposition 13 and Proposition 4 have severely limited the financing alternatives available to local agencies in meeting their facility needs.

Assessments and exactions imposed to finance City and school facilities contribute to increasing development costs and housing prices.

RECOMMENDATIONS

Facility Financing Plans, which represent an implementation program of adopted Community Plans, should be required in all Urbanized Area communities.

- ° Alternatives for funding public facilities in Urbanized Area communities need to be examined and developed.
- ° Current policy of City capital funding needs in Urbanized Area communities should be examined in relation to the availability of future funding.
- ° The City Council should amend Council Policy 600-22 to require a letter of school availability in every area of the City.

The Facilities Benefit Assessment (FBA) Program should be applied to all Planned Urbanizing Area communities as soon as practicable.

The City Council should formally adopt the City Attorney's opinion which acknowledges that Proposition J is not applicable to the City's budgetary process due to adoption of Proposition 4.

The City Manager and City Attorney should be directed to develop a policy for the use of special assessment districts for subdivision improvements.

CONCLUSIONS

Due to financial and physical limitations, and other factors, public facility standards applicable to suburban Planned Urbanizing Area communities cannot feasibly be applied to Urbanized Area communities.

RECOMMENDATIONS

The City should, in cooperation with the various school districts, pursue state legislation to improve the capital financing for school facilities. This legislation should recognize the state's primary responsibility for this capital financing and provide the necessary long-term funding to assure adequate facilities. Developer fees for schools should be directed toward the interim accommodation of school housing needs to be utilized at the discretion of the individual districts.

The City Manager and the Planning Director, in cooperation with the Park and Recreation Board, should be directed to review the current park and recreation facility standards including the following issues and possible modifications:

- ° Type, size and number of facilities and their placement within a community;
- ° Overall benefit of neighborhood parks within Urbanized Area communities and potential for alleviating any facility shortfall via community parks with improvements phased in over a long-term;
- ° Credit for private facilities and joint use of facilities among communities, and replacement of such facilities within private developments;
- ° Modification of standards because of community proximity to other park facilities or open space systems;

CONCLUSIONS

The current policy limiting expenditure of Capital Improvements Program funds to only Urbanized Area communities results in inequities when applied to the provision of facilities in the Planned Urbanizing Area which have City-wide benefit.

RECOMMENDATIONS

- ° Staging or phasing of facilities. (Consideration to facilities that must be funded out of the initial development process, as opposed to those that might be delayed for the community in general to provide)

Where existing development precludes significant land acquisition, new park standards should be developed to reflect an urban setting.

A policy for the allocation of City Capital Improvements Program funds should be developed including consideration of needs in both Planned Urbanizing and Urbanized Area communities.

II. INTRODUCTION

On April 27, 1984, the City of San Diego GROWTH MANAGEMENT REVIEW TASK FORCE Chairman TAWFIQ N. KHOURY appointed a Subcommittee to review and report back to the Task Force on the infrastructure financing aspects of Growth Management.

JOHN D. THELAN was appointed Chairman of the Subcommittee, with members KEITH A. JOHNSON, ESPERANZA GARCIA and JIM KELLEY-MARKHAM.

The basic charge and objectives of the Subcommittee are as follows:

- ° Review City General Plan goals and recommendations for financing public facilities in the planned urbanizing and urbanized areas.
- ° Assess the present system for providing public facilities in the planned urbanizing and urbanized areas, i.e., finance plans, Council Policy 600-28, facilities benefits assessments, park fees and impact fees.
- ° Review the basic concept of who - how - when payment for public facilities should be made.
- ° Provide recommendations to the GROWTH MANAGEMENT REVIEW TASK FORCE.

The improvement, maintenance and replacement of infrastructure in support of our cities has been recognized as a major concern at a national and state level. A wide variety of studies have addressed the long-term funding problems. Infrastructure for the purposes of this study and Subcommittee investigation is defined to include those publicly (City, school district, and special district) constructed, maintained and replaced facilities which serve the individual property or community. Among these facilities are:

- ° Transportation systems including local streets and alleys, collector and major streets, and prime arterials.
- ° Mass transit, including buses and light rail facilities.
- ° Utilities, including water and sewer trunk and distribution systems, and storage and treatment facilities.
- ° Park and recreation facilities, including neighborhood, community and regional parks and open space systems.
- ° Schools, including kindergarten through 12th grade.
- ° Public buildings, including libraries, fire stations, recreation centers, and public works buildings.

III. BACKGROUND

A. HISTORICAL PERSPECTIVE TO PROVIDING FUNDS FOR PUBLIC FACILITIES

Cities have historically relied on a wide variety of funding sources for construction and maintenance of public facilities in existing and developing communities. Among the sources have been subdivision exactions, fees, property and sales taxes, land sale proceeds, general obligation and revenue bonds, and federal and state grants. Over time the mixture of these revenue sources for public facilities has varied and most recently been impacted by statewide initiatives.

During the 1950's and 1960's the City and school districts were primarily responsible for funding major infrastructure improvements. These improvements included such items as major streets and utilities, public buildings, parks and schools. The financing of these facilities was primarily by sales taxes, general obligation bonds amortized by property taxes, or revenue bonds amortized by utility rates.

In the late 1960's and early 1970's development outpaced the City and school districts' ability to respond in a timely fashion in two particular areas -- Otay Mesa-Nestor and Mira Mesa. During this same period there was also recognized the need to utilize an increasing amount of general City revenues to respond to needs in the older communities. This financing dilemma was further compounded by the failure on the part of the voters to approve by the requisite two-third's vote bond issues for City or school district public facilities. During this same period a number of facility financing changes came into effect. State legislation was adopted allowing local communities to establish park fees. Local jurisdictions required developers to provide letters of school availability prior to project approval and school districts began to collect emergency fees for the provision of temporary school housing. Assessment districts were applied to large areas for major streets and utilities. Collectively these efforts led to a shift of costs from the government to new development.

During the early 1970's discussions occurred at Council level with regard to the need to phase development with the availability of public facilities and the most appropriate methods of funding these facilities. A number of Council policy statements were adopted which related development to the availability of public facilities and pointed to a change in the responsibility for the financing of development (Council Policies Nos. 600-10 and 600-22). Further, through the Council's Capital Improvement Program, an increasing share of the City's general revenues was directed toward the physical needs in the older

communities. In 1975 the Council approved the community plan for North City West which was the first to require all of the public facilities to be financed by developers, and, indirectly, homebuyers and other users of developed land.

During the 1970's and leading up to the adoption of the Progress Guide and General Plan in 1979, there was a recognized need for a modified system of financing infrastructure. Many communities in what became the Planned Urbanizing Area were precluded from development pending resolution of the financing issue. This, coupled with the increasing complexity and length of the land use approval process, created what became a shortage of supply of approvals to build for residential housing producers. Between 1975 and 1979, as the country came out of a national recession, housing demand increased significantly, due to rising public confidence, low real interest rates, inflationary expectations and speculation activity. The imbalance resulting from the constraints placed on supply and increased demand caused a very rapid increase in the general level of housing prices that persists today.

The adoption of the City General Plan in 1979, which included the 'Guidelines for Future Development', immediately followed the voters' approval in the prior June election of Proposition 13. Although the General Plan proposed full facility financing as a part of the community's development, it did lay out certain strategies which were unworkable under Proposition 13. Further, the general reduction in property tax revenues significantly impacted the City's ability to finance improved or augmented facilities in the urbanized communities.

The long-term impacts of Proposition 13 will be significant particularly with regard to the City's ability to maintain and replace its expanding infrastructure. The Proposition 13 limitations on property tax growth coupled with the elimination of general obligation bonds are of particular concern.

B. FACTORS REQUIRING CHANGES IN FINANCING METHODS

1. Revenue Limitations

In 1978 the voters of California, by approving Proposition 13, added Article XIII A to the State Constitution. The impact of this article was to significantly reduce local taxing authority by imposing the following restrictions:

- ° County-wide ad valorem property tax rates were limited to one percent of market value, plus an amount for indebtedness approved by the voters prior to 1978.

- ° Increases in assessed valuation were limited to two percent per year.
- ° Reassessment (to market value) was permitted only upon change of ownership or new construction.
- ° The State Legislature and local governments were prohibited from imposing any new ad valorem taxes.
- ° A two-thirds vote of the electorate was required in order to raise "special taxes".

The effects of these restrictions were to reduce revenues from a major funding source (property taxes), limit the rate of future property tax revenue growth, inhibit local governments' ability to issue new General Obligation bonds, and make it more difficult to enact or increase non-property taxes.

The net impact of these restrictions has been to reduce the funds available to support City operations including the construction and maintenance of public facilities. And, this reduction was one factor taken into consideration in the adoption of the community facilities financing requirements of the Growth Management. Existing funds were reserved for general public facilities maintenance and for the construction/reconstruction/rehabilitation of public facilities in the Urbanized Area.

2. Spending Limitations

Proposition J - At the same time that California voters were approving the revenue raising limitations of Proposition 13, City of San Diego voters were also approving a local government spending limitation initiative known as Proposition J. Proposition J limited the growth in appropriations for general operation of the City to three-fourths ($3/4$) of the percentage change in the local government cost index plus the percentage change in population. The effect of this initiative has been to restrict the funds which can be made available for the maintenance of public facilities. Funds for capital projects are not similarly restricted and have even been enhanced since funds which might otherwise have gone into maintenance (but which cannot because of the "J" limit) are shifted to the Capital Improvements Program (CIP).

The effect of Proposition J has been to limit the flexibility of the City in making resource allocation decisions on whether funds would be better spent on maintenance of existing public facilities as opposed to the construction of new facilities. The increasing bias towards construction of new public

facilities (in Urban and Planned Urbanizing Areas), would increase the need for maintenance funding (as the number of facilities requiring maintenance increases) to which the City cannot react even if funds are available.

It should also be noted that although the City Attorney has opined that Proposition J is no longer legally binding due to the 1979 passage of the Gann Initiative, which as a State initiative takes precedence, the San Diego City Council has continued to follow the restrictions of Proposition J as policy in establishing City spending levels.

Gann Initiative - In November 1979, state voters approved what was known as Proposition 4 or the Gann Initiative which added Article XIII B to the State Constitution. Basically, Article XIII B limits local increases in annual appropriations of taxes and state subventions to the cost of living plus the change in population. Appropriations subject to limitation do not include debt service or appropriations required to comply with court or federal government mandates.

The effect of Gann is similar to that of "J" in that it limits City spending; however, it differs in that it allows a full adjustment for inflation rather than the three-fourths (3/4) adjustment allowed by "J". It also differs in that it applies to spending for operation, maintenance and **capital construction** purposes. This makes it more comprehensive than "J" in terms of restricting the City's overall spending growth.

So far, City appropriations subject to the Gann Initiative limitation have not been affected. However, it is currently projected that it will become a restraining factor around fiscal year 1987-88 and at that time will limit funds available for public facility maintenance and construction purposes.

C. GROWTH IN DEMAND FOR PUBLIC INFRASTRUCTURE FUNDS

As has been discussed, over the past six years voter approval of several initiative propositions at the state and local levels have had the dual effect of: 1) reducing revenues available to support public infrastructure operation, maintenance and construction, and 2) limiting the level of expenditures for these purposes. At the same time, increases in costs have been some of the highest on record, population growth has been substantial, and there is an increasing citizen demand to upgrade the standards of existing infrastructure facilities to more closely match the higher standards established for the Planned Urbanizing Area communities.

Since the passage of Proposition 13 in 1978, the State and Local Price Deflator which represents the aggregate cost of goods and services purchased by governmental agencies in California has increased by over 40 percent and the Engineering New Record index of construction costs has increased by over 50 percent. These factors reflect significant increases in the cost of maintaining public facilities.

Added to these cost increases is the requirement to provide services to a steadily growing population. For illustrative purposes, between fiscal years 1979 and 1985 it is estimated that the population of the City of San Diego grew by 15 percent and the number of housing units grew by a comparable amount. In addition, public facilities growth includes the following:

- ° street mileage increased by 116 miles (+5%)
- ° recreation centers increased from 37 to 42 (+14%)
- ° signalized intersections increased by 182 (+21%)
- ° acreage maintained by the Park and Recreation Department increased from 8,713 acres to 12,908 acres (+48%)
- ° library branches increased from 30 to 31
- ° the number of fire stations increased from 38 to 40
- ° the Police Department has proceeded with its decentralization program consisting of the construction of five new sub-stations, and a large new Police Administrative and Technical Center in the downtown area.

The increased demand for public facilities in the Urbanized Area is also a consequence of residents desire to: 1) remedy existing deficiencies, 2) serve new development at increased densities, and 3) provide an enhanced level of service throughout the community.

The cost impact of meeting this demand will be aggravated by the high cost of acquiring additional land in densely developed urban areas. In addition, due to the fragmented nature of redevelopment activities in these areas it is difficult to develop an overall financing scheme which could provide upgraded facilities in the near future without an extensive infusion of assessment district of public funds.

D. PROJECTED TRENDS IN PUBLIC INFRASTRUCTURE FINANCING

The following charts summarize projected public infrastructure facility demand and financing trends over the next twenty years. Infrastructure financing requirements (demand) were estimated from the current CIP and a 20-year needs list compiled by the Financial Management Department from information provided by the individual operating departments. Each department submits its estimate of the capital improvements and maintenance projects needed to reach and maintain optimum public facility service levels based upon relevant standards and past City experience. Parks standards for Urbanized Area communities were based upon the service levels contained in the draft Mid-City Community Plan recently approved by the Planning Commission. Projections of funding availability were made by the City's Financial Management Department based on current funding policies and constraints such as the Proposition 4 (Gann) limitation, which is expected to have a restraining effect on spending beginning in fiscal year 1987-88.

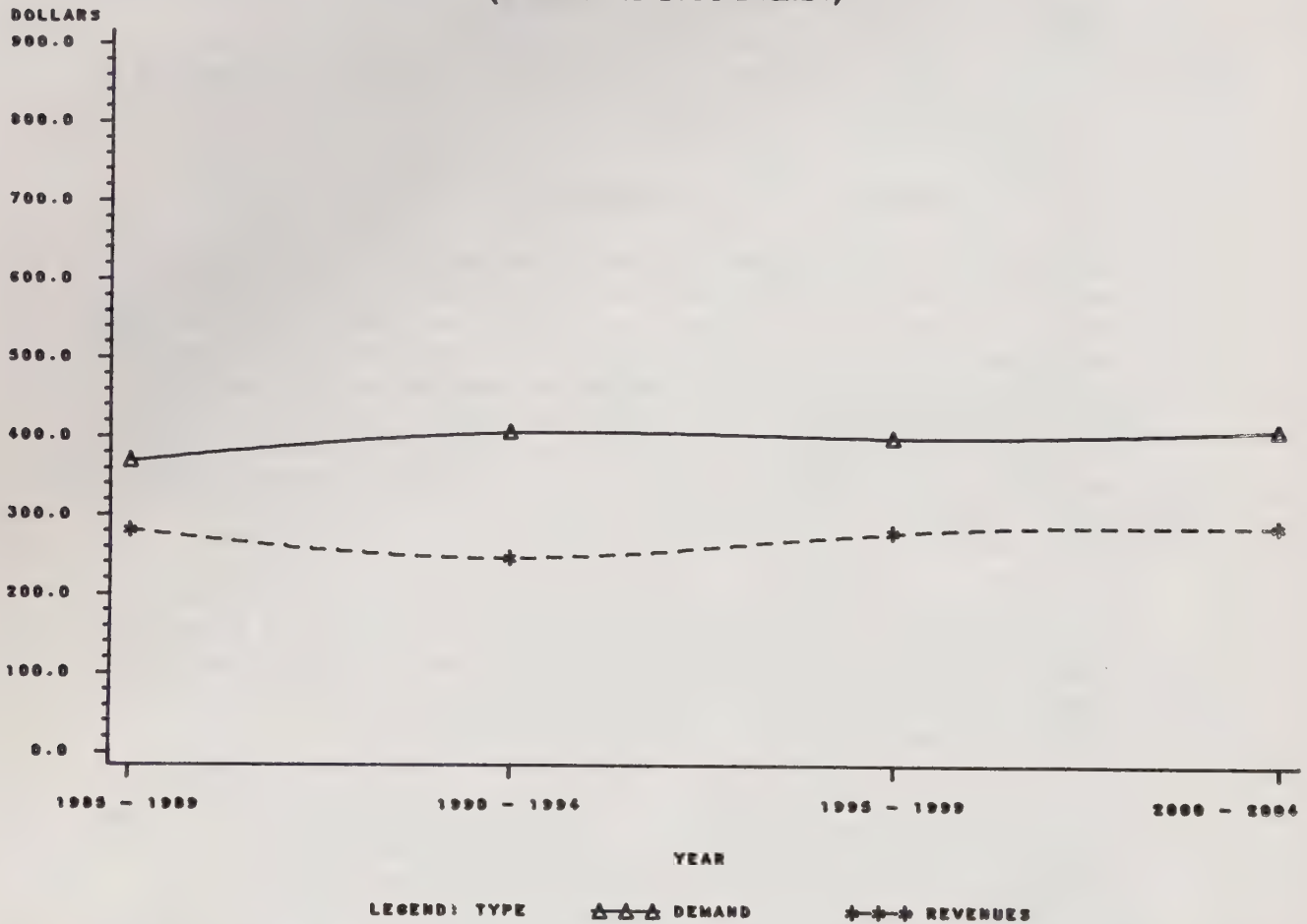
In interpreting these charts it should be remembered that it was assumed that future resource allocations would be made in the same proportion as they now are, i.e. the same percentage of discretionary revenues will be appropriated for infrastructure facilities maintenance and construction as in the recent past. Therefore, actual results could be affected by changes in current spending policies, such as allocating a greater proportion of total resources to public safety areas. Given this caveat and the general difficulty of accurately forecasting anything twenty years into the future, **it is recommended that the data on these charts be interpreted as general trends rather than specific predictions.**

CHART 1

URBANIZED AREA

PUBLIC FACILITY CONSTRUCTION & MAINTENANCE DEMAND/REVENUE TRENDS

(Millions of 1984 Dollars)

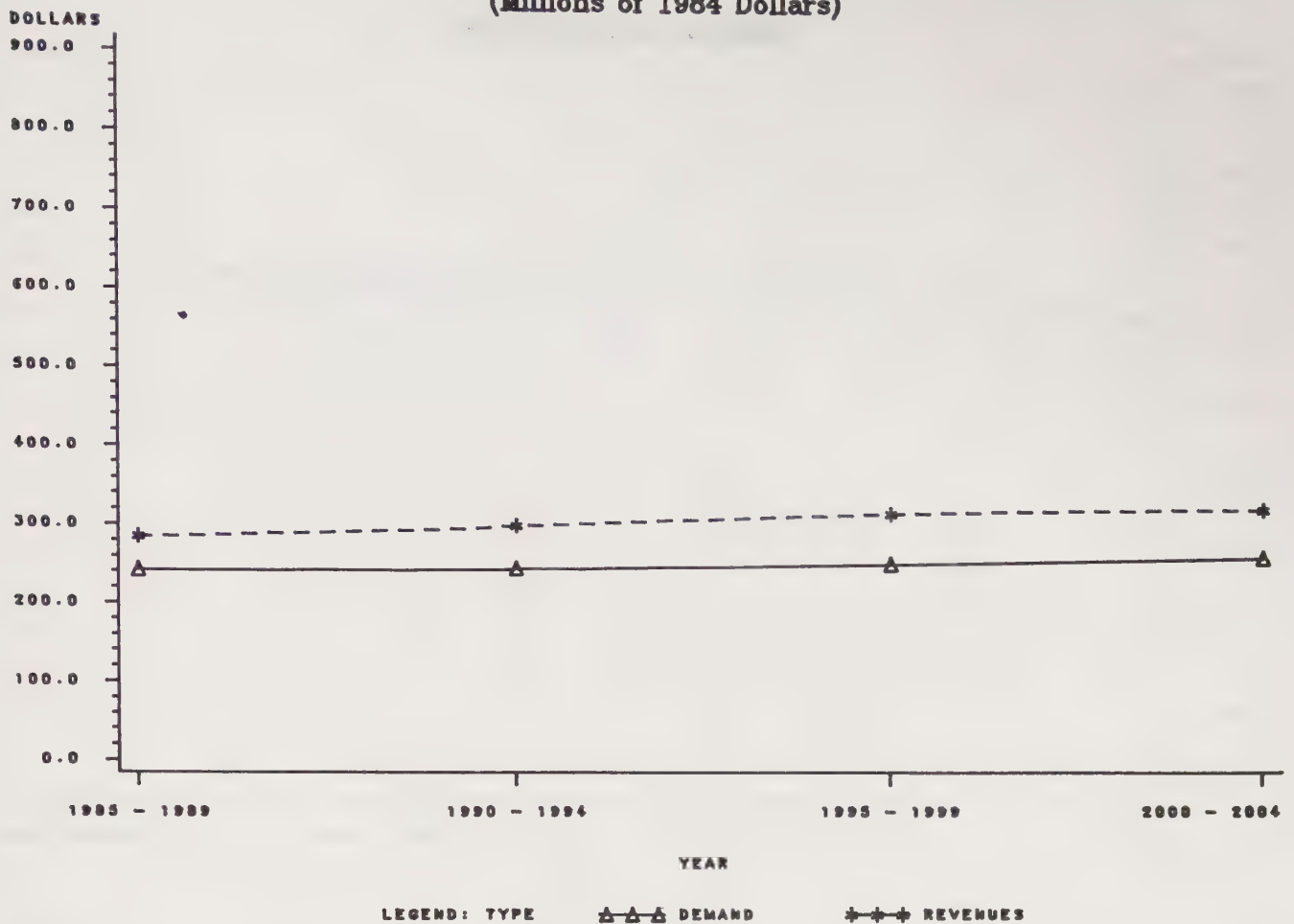


DEMAND - Expenditures required for optimum maintenance and capital improvements in streets, buildings and parks. Includes all facilities to be financed from public and private sources.

REVENUE includes all public and private funding sources. Non-cumulative.

Chart 1 compares available revenue to total public facility needs (construction and maintenance) for Urbanized Area communities for each of four 5-year periods. Assuming that the City continues committing 95 percent of the Capital Improvements Program to Urbanized Area communities, funding demand exceeds available revenue in each period, with a total shortfall of \$489 million dollars over the 20-year period.

CHART 2 PLANNED URBANIZING AREA PUBLIC FACILITY CONSTRUCTION & MAINTENANCE DEMAND/REVENUE TRENDS (Millions of 1984 Dollars)

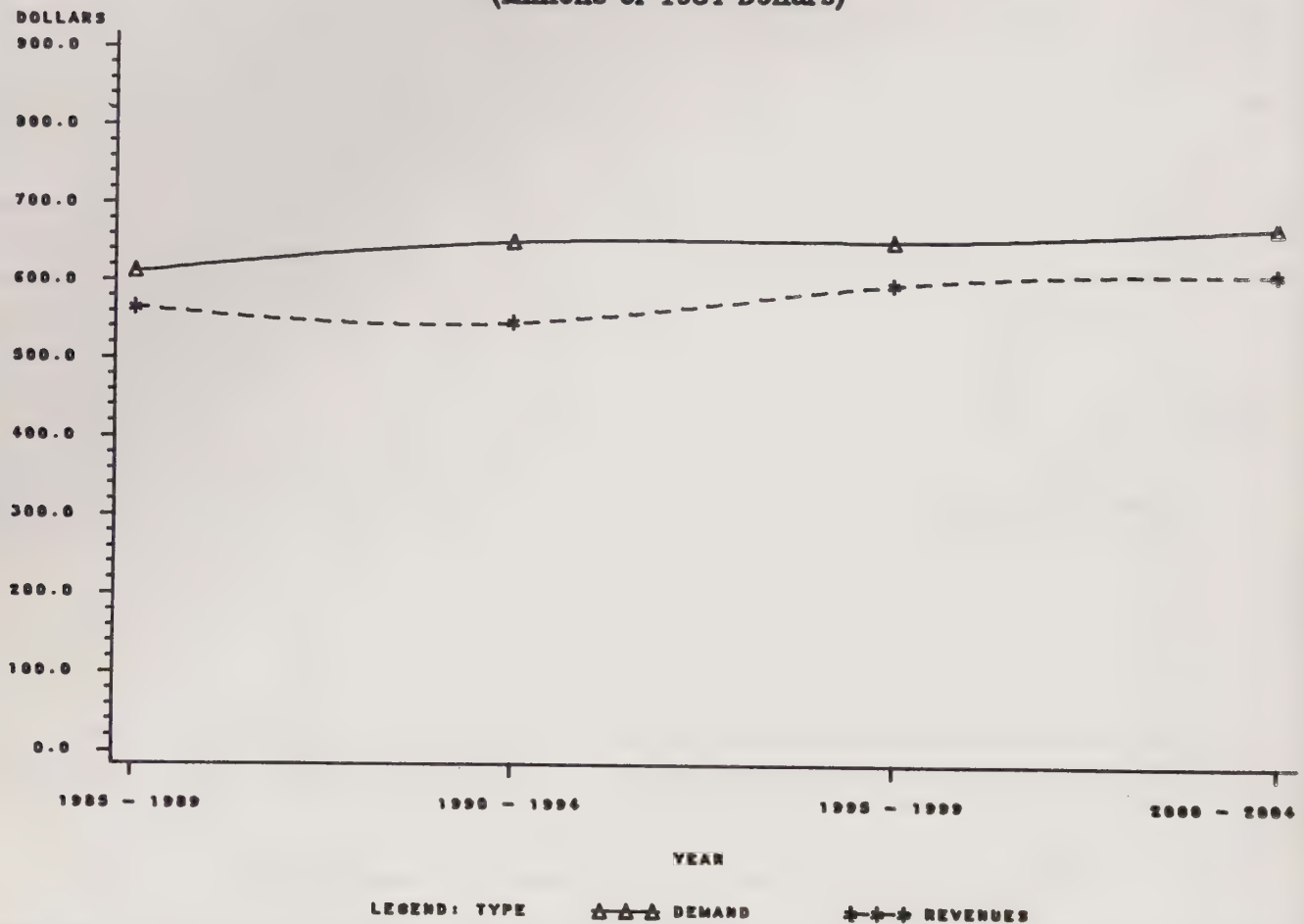


DEMAND - Expenditures required for optimum maintenance and capital improvements of streets, buildings and parks. Includes all facilities to be financed from public and private sources.

REVENUE includes all public and private funding sources. Non-cumulative.

Chart 2 compares public facility financing demand in the Planned Urbanizing Area with revenue generated for these purposes. As shown, available revenue exceeds funding need by some \$216 million over the 20-year period. This surplus is a result of the "pay-as-you-grow" approach associated with the largely private funding of Planned Urbanizing Area public facility needs and the accompanying decreased demand upon City resources.

CHART 3 CITY-WIDE PUBLIC FACILITY CONSTRUCTION & MAINTENANCE DEMAND/REVENUE TRENDS (Millions of 1984 Dollars)



DEMAND - Expenditures required for optimum maintenance and capital improvements in streets, buildings and parks. Includes all facilities to be financed from public and private sources.

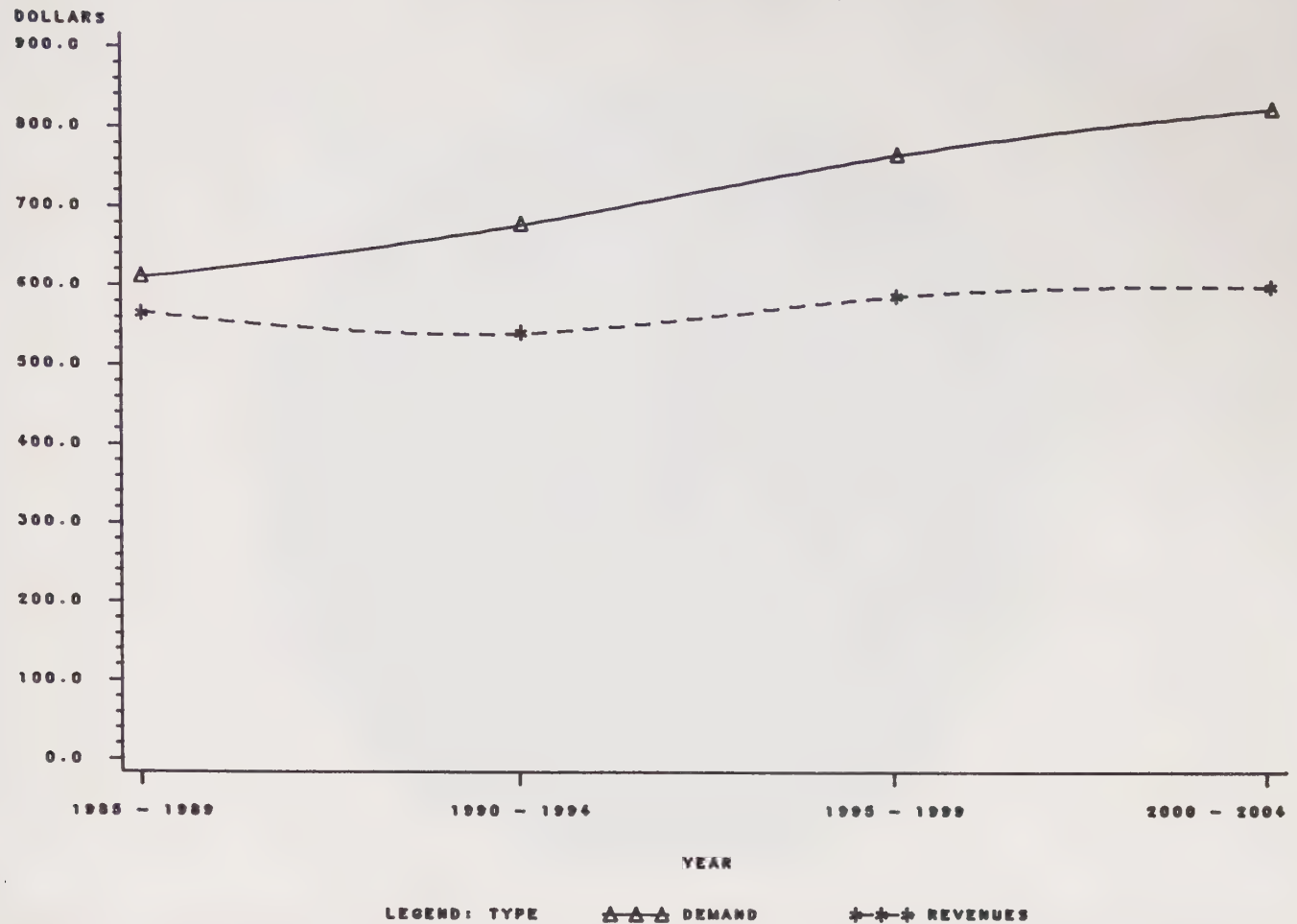
REVENUE includes all public and private funding sources. Non-cumulative.

Chart 3 combines Charts 1 and 2 to give a City-wide picture. The combined results indicate a total shortfall of some \$274 million over the 20-year period, an average shortfall of \$13.7 million per year.

CHART 4

CUMULATIVE UNMET DEMAND IN CITY-WIDE PUBLIC FACILITY CONSTRUCTION & MAINTENANCE

(Millions of 1984 Dollars)



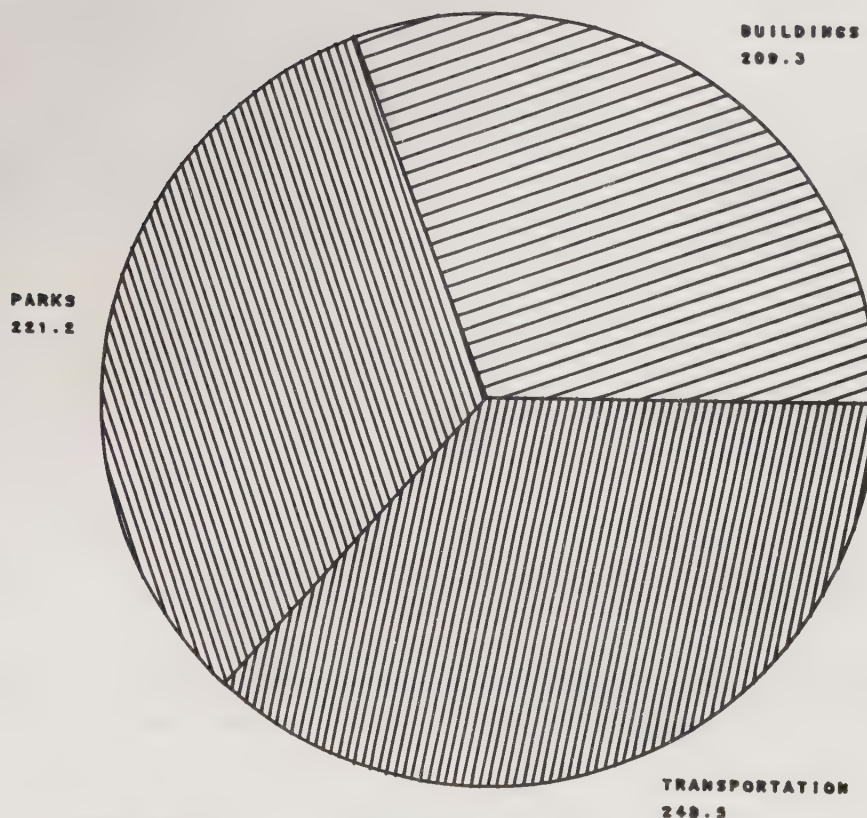
LEGEND: TYPE ▲-▲-▲ DEMAND *-*-* REVENUES

DEMAND = Expenditures required for optimum maintenance and capital improvements in streets, buildings and parks. Includes all facilities to be financed from public and private sources.

REVENUE includes all public and private funding sources.

Chart 4 is similar to Chart 3 but the shortfall in each 5-year period is carried forward into succeeding periods so the gap represents the cumulative shortfall. The shortfall grows from \$46.5 million in the first 5-year period to a cumulative total of \$274 million by the end of the fourth 5-year period in 2004.

CHART 5
URBANIZED AREA CAPITAL IMPROVEMENT NEEDS 1985-2004
(Millions of 1984 Dollars)



Total Facility Costs = \$679.0m

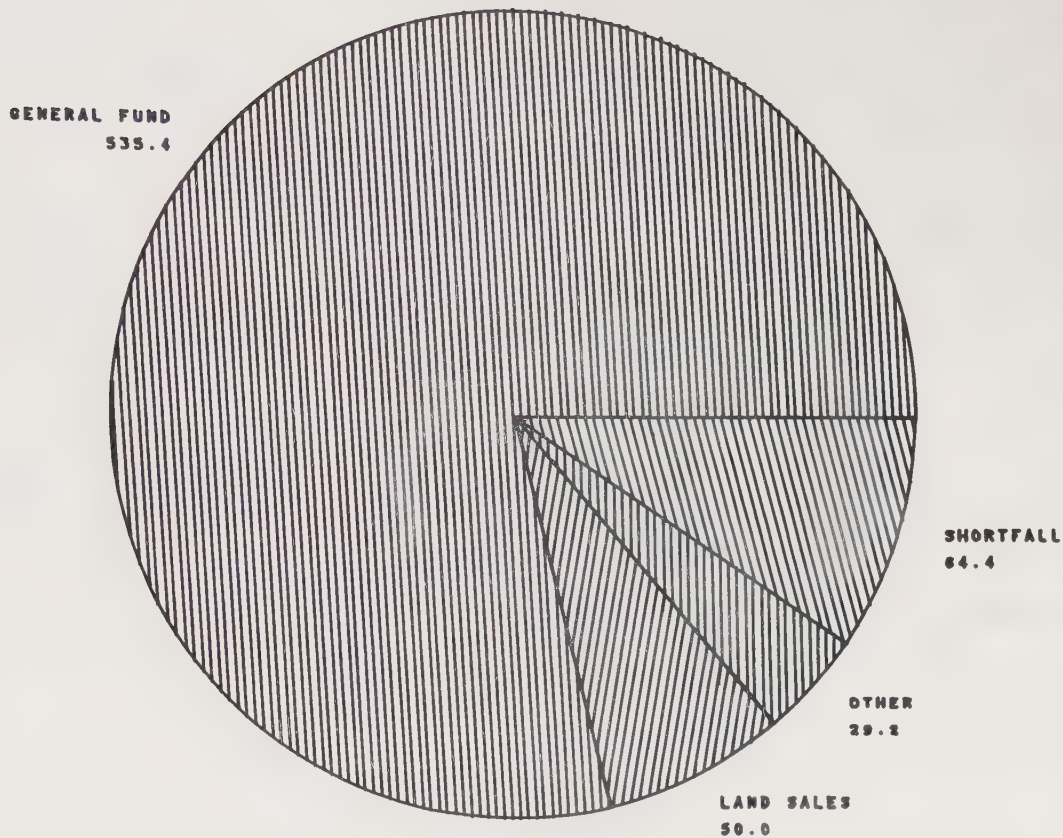
Buildings - 30.8%, Parks - 32.6%, Transportation - 36.6%.

BUILDINGS includes Fire Stations - \$7.4m, Libraries - \$61.4m, Parks - \$49.4m, and Police Stations - \$91.1m.

Chart 5 summarizes, by general type, all of the public facilities capital expenditures which will be needed over the next twenty years in the Urbanized Area. The Urbanized Area total demand for capital improvements over the 20-year period equals an estimated \$679 million. The demand is about evenly composed of transportation improvements (\$248.5 million), public buildings (\$209.3 million) and parks (\$221.2 million).

CHART 6 URBANIZED AREA CAPITAL IMPROVEMENT FUNDING SOURCES 1985-2004

(Millions of 1984 Dollars)



Total Facility Funds = \$679m

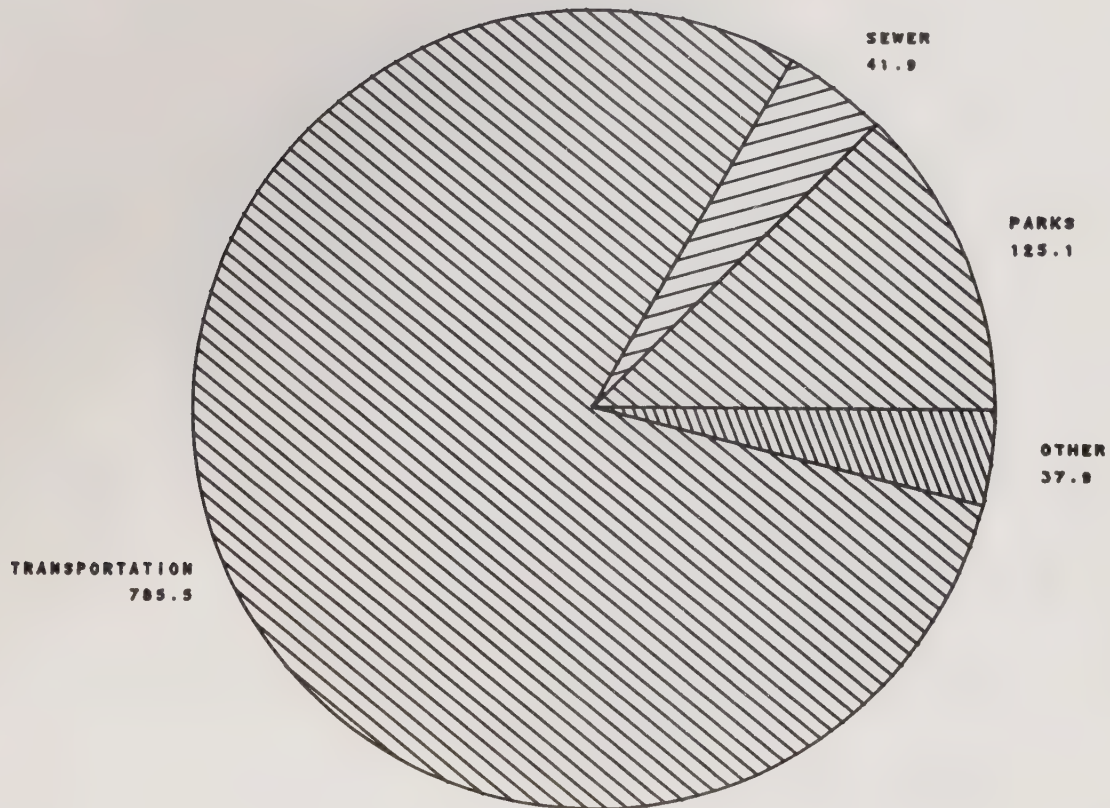
General Fund - 78.9%, Land Sales - 7.4%, Other - 4.3%, Shortfall - 9.5%.
OTHER includes Private Funding - \$18.6m and Park Fees - \$10.6m

Chart 6 summarizes the expected sources of funds required to accomplish the construction program for the Urbanized Area shown in Chart 5. The predominant capital improvements funding source for Urbanizing Area communities is expected to be City General Fund revenue (\$535.4 million), public land sales (\$50.0 million), private funding (\$18.6 million) and park fees (\$10.6 million). As shown, there is an expected shortfall of \$64.4 million which would require either a reduction in public facility construction and/or maintenance levels below those shown in Chart 5, or increases in revenue above currently projected levels.

CHART 7

PLANNED URBANIZING AREA CAPITAL IMPROVEMENTS NEEDS 1984-2004

(Millions of 1984 Dollars)



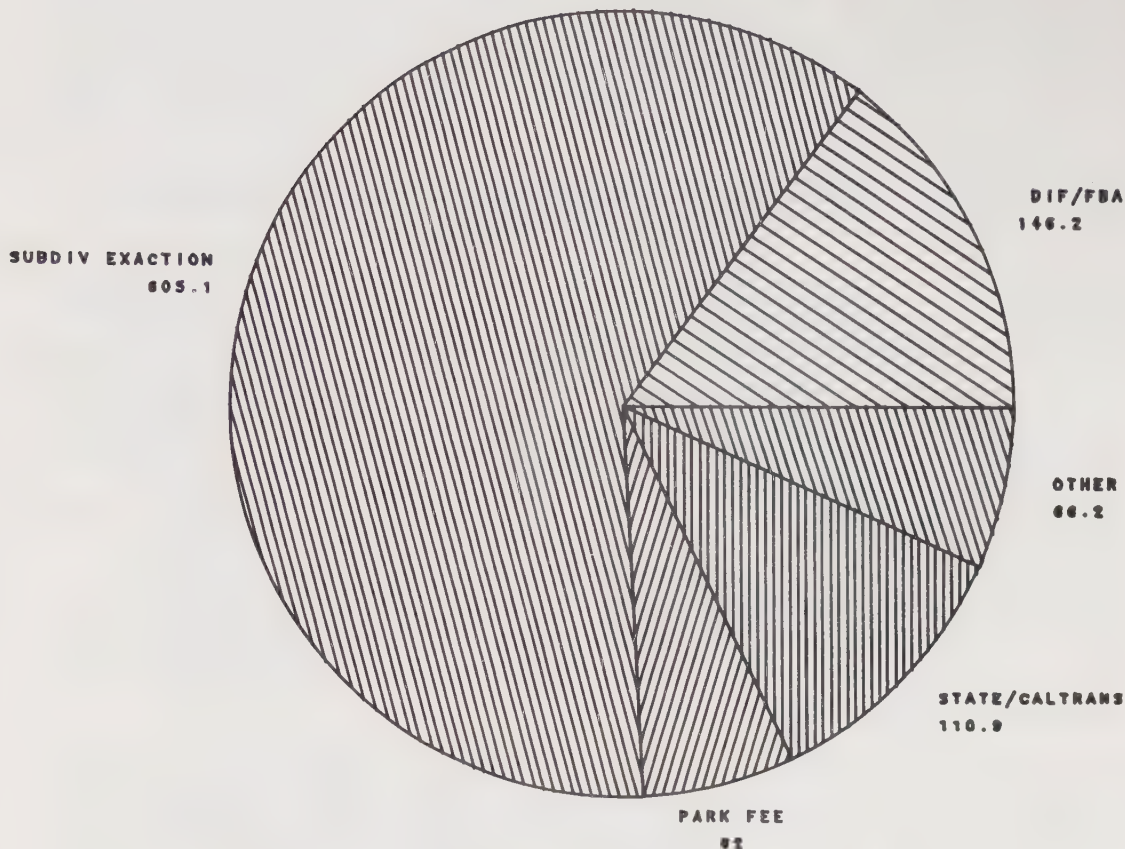
Total Facility Costs = \$990.3m

Transportation - 79%, Parks- 12.6%, Sewer - 4. 2%, Other - 3.8%.
 OTHER includes Water - \$19.6m, Library - \$10.1m, Fire Station - \$6.1m and Park & Ride - \$2.1m.

Chart 7 shows the projected cost of public facilities for the Planned Urbanizing Area, totaling \$990.3 million over the 20-year period. The Planned Urbanizing Area capital improvement costs are dominated by transportation system needs, a much different pattern than Chart 5 shows for Urbanized Area communities.

CHART 8

PLANNED URBANIZING AREA CAPITAL IMPROVEMENT FUNDING SOURCES 1985-2004 (Millions of 1984 Dollars.)



Total Facility Funds = \$990.3m

Subdivision Exactions - 61.1%, Development Impact Fees/Facility Benefit Assessments - 14.8%, State - 11.2%, Park Fees - 6.2%, and Other- 6.7%.
OTHER includes Utility Surcharge - \$30.8m, Federal Aid Urban - \$26.7m, and City General Fund - \$8.7m.

Chart 8 shows the expected source of funds required to develop public facilities for the Planned Urbanizing Area. Subdivision exactions and other fees and assessments are expected to provide the bulk of the needed capital improvements funding in the Planned Urbanizing Area, with City General Fund revenue contributing less than one percent of the total.

E. APPROACHES TO FUNDING GROWTH RELATED INFRASTRUCTURE IN OTHER AREAS

Other fast growing areas in these United States are facing the same problems as San Diego in providing infrastructure to serve new development. The financing approaches taken in these growth areas include such measures as full developer responsibility for construction of local facilities, implementation of local taxes, and joint public-private agreements. Appendix 4 includes a brief review of specific applications in other areas.

IV. REVIEW OF THE PROGRESS GUIDE AND GENERAL PLAN (1979) REGARDING PUBLIC FACILITY FINANCING AND GROWTH MANAGEMENT

The goals and policies which form the foundation of the City growth management program evolved over many years. Many aspects of the current program originated in the early 1970's as the City responded to the pressures of rapid growth and limited fiscal resources. City Council Policies on public service adequacy, phasing of growth and availability of schools were adopted between 1970 and 1975. Based upon these and other City actions, it could be said that growth management has been ongoing in San Diego for nearly 15 years. In order to tie all of the City's actions together and derive a community consensus about San Diego's future a work program was begun in 1975 which culminated in the preparation and adoption in 1979 of a comprehensive Progress Guide and General Plan which included the central goals and policies of growth management in the "Guidelines for Future Development."

The Progress Guide and General Plan adopted by City Council in 1979 divided the City into three Phased Development Areas and established different goals and policies for the development and improvement of each area. The three planning areas were named Urbanized, Planned Urbanizing and Future Urbanizing.

The Urbanized Area is the older developed communities of the City, lying mostly south of Miramar N.A.S. These communities had for the most part been developed prior to 1970 and included only scattered parcels of vacant land. The Urbanized Area was intended to attract intensive and varied land use, with redevelopment, revitalization and rehabilitation planned to complement new development.

The partially developed Planned Urbanizing Area communities are post-1970 suburbs predominantly consisting of single-family subdivisions and still-vacant land. The Planned Urbanizing Area communities, mostly on the periphery of the Urbanized Area, were expected to complete development with a full range of public and private facilities. Sufficient land would be opened for urbanization to assure an adequate market place as facilities were made available in a staged, contiguous manner.

The Future Urbanizing Area included lands for the most part vacant and zoned for agricultural use. This land was to be held as an "urban reserve" to be released for development as needed to supplement the Planned Urbanizing Area land supply, or to help the City accommodate unique opportunities to implement its goals and objectives.

Each of the Phased Development Areas had specific public facility financing objectives associated with it:

- ° In the Urbanized Area, the primary City policies dealt with encouraging and accommodating additional development, complemented by rehabilitation, redevelopment and revitalization of older neighborhoods which had suffered during post-World War II suburbanization. The City recognized that there was a substantial need for remedial work, and in order to accomplish that work and the expansion of capacity in public facilities needed to accommodate the hoped-for growth, committed essentially all of the future Capital Improvements Program funding to these neighborhoods. In addition, grant funding (e.g. Community Development Block Grants) were to be concentrated in these inner-city neighborhoods. As an additional factor in attracting development to these communities, the City established a policy of incentives for this area. Among these policies were reduction or elimination of fees and charges levied against developments, reduced processing time for permit review and retention of public facility development responsibility by the City.
- ° The Planned Urbanizing Area communities were expected to follow a different path: "pay as you grow." In these areas the City was not committed to provide new public facilities, rather it became the responsibility of builders to construct or fund construction of all needed capital improvements. In order to assure an equitable distribution of costs among beneficiaries, the City required a financing plan in all Planned Urbanizing Area communities. These financing plans outline the improvements needed to the transportation, park, water utility, school and other public facility systems in each community, and allocated the cost of providing those improvements among planned future developments based upon the approved community plan for the area. Each new community was evaluated to determine the cost/revenue implications of the proposed development on both the capital and operating costs of the City and other agencies.
- ° In this regard, the primary objective in the Future Urbanizing Area was to avoid the necessity to expend public resources in providing capital improvements and facility services beyond the boundaries of the approved community planning areas. For this reason, urban intensity development was prohibited in the Future Urbanization area.

Because of their special needs and importance, school district facilities were addressed not only in the General Plan, but also in Council Policy. State legislation (SB 201) created a special financing environment for school facilities, allowing the various districts to levy "impact fees" upon new developments. In 1980, however, this legislation was clarified to limit the use of impact fees to development of interim facilities, reflecting the legislature's recognition of the state's responsibility to provide for schools. In lieu of the state legislation, the City adopted a policy that the availability of schools shall be considered as an important factor in determining the effect on the public health, safety and general welfare when deciding rezoning or the approval of developments which will generate more school age children. Under this Policy (Council Policy 600-22) "school availability letters" are required from the serving district(s) for projects within the Planned Urbanizing communities. However, as an additional incentive, and based on the belief that school facilities were adequate to meet projected need, the City and San Diego Unified School District agreed not to require school letters within the Urbanized Area communities.

V. REVIEW OF PRESENT SYSTEM FOR PROVIDING PUBLIC FACILITIES

Discussion of the present system for ensuring the provision of public facilities must be separated between the "Urbanized" and "Planned Urbanizing" areas because the two areas are treated differently in Council Policy statements and the adopted Progress Guide and General Plan.

A. URBANIZED AREA

The City's Capital Improvement Program has historically provided the funds for transportation, drainage, parks, library, recreation facilities and fire station new construction and remodeling in developed areas. In fact, less than five percent of the total available funds have been allocated annually to the Planned Urbanizing Area.

In addition to the Capital Improvement Program, some park fees and federal and state grants have been used for infrastructure improvements. The amount of subdivision activity is minimal in the Urbanized Area and the improvements do not include any significant facilities.

The recent adoption of increased park fees in the Park North East and Mid-City communities was the first action by Council to increase a fee or require the provision of a public facility in the Urbanized Area. The Council has given direction to bring a recommendation for a general City-wide increase in park fees to reflect increases in the cost of construction of the acquisition and development of park and recreation facilities.

B. PLANNED URBANIZING AREA

The roots of the strategy for the financing of public facilities and infrastructure in the Planned Urbanizing Area are found in the Progress Guide and General Plan. The General Plan states "... the prime responsibility for the provision of community facilities should be the developer's."

The requirement of the provision of public facilities concurrent with need and placing the responsibility with developers as a condition of development has become one of the major cornerstones of growth management programs which are in effect in many cities today.

In 1980, the City Council adopted Policy 600-28 (August 11, 1980) outlining requirements for development approval in the Planned Urbanizing Area of the City. In part this policy requires a plan for financing public facilities which sets forth a complete financial program by which the community public facilities and infrastructure will be provided when needed.

Early experience indicated that it is necessary to carefully examine all financing tools available in developing a Community Financing Plan, and it is usually a combination of several tools that are necessary to meet the requirements for providing all public facilities in a timely fashion.

The following financing tools are being incorporated into community financing plans and are serving well to assure the timely provision of public infrastructure:

1. Subdivision Map Act

The Subdivision Map Act contains general provisions for the subdivision of lands, but the regulation and control of the design and improvement of subdivisions are vested in the legislative bodies of local agencies. Through a subdivision agreement with a developer, the City is requiring all the basic infrastructure within the subdivided lands and off-site improvements when necessary to mitigate the impacts of the specific development. This is the major mechanism for providing basic infrastructure and has been generally accepted as a developer's responsibility.

2. Special Fees and Park Fees

The City of San Diego has required payment of a City-wide park fee since 1970 to partially support the cost of providing park and recreation facilities. These fees are \$100 for a single-family and \$75 for a multiple-family dwelling unit

payable at final map approval and a like amount payable prior to building permit issuance. In the Planned Urbanizing Area special park fees have been enacted on a community-by-community basis replacing the existing City-wide fees. The special park fees are based on the actual park and recreation needs of a specific community and reflect the needs based on **new** development and not on any existing deficiencies.

3. Cost Recovery Districts

This device is useful when a developer needs to construct a major off-site improvement in advance of the development of surrounding property which would also benefit from the improvement. The developer fronts the cost of the off-site improvement and, as development of surrounding property occurs, the other owners pay their share of the cost through the City to the developer who fronted the cost. This tool has not been used extensively up to this time, but may be used more in the future by developers to provide a means of equitably distributing major facility costs in large developments.

4. State/Federal Grants

The State and Federal grants have been and continue to be a major source of funding major transportation, water and sewer improvements in the City. The federal government made major investments in providing funds for local infrastructure in the 1950's and 1960's but these funds have decreased by almost 50 percent nationwide since peaking around 1968. San Diego has maintained a fairly high level of water/sewer grants and the transportation (FHWA) funds have averaged only \$1.7 million per year over the last five years. Grants for park and recreation facilities are small and are not significant compared to the needs.

5. Special Assessment Districts - 1911, 1913 and 1915 Acts

Special Assessment Districts have been an excellent tool to spread the cost of a local facility to those who receive a special benefit. The combination of the 1913 Assessment District and 1915 Bond Acts has not been used to the greatest advantage in generating funds. It is not a panacea, but in combination and for certain improvements, can be very useful. The use of tax-exempt bonds and an assessment that can be passed through to the homeowners are the prime features of an assessment district. The advantage to the developer is a greatly reduced front-end financing requirement, and the advantage to the homeowner is a reduced interest cost (tax exempt bond payments) for at least part of the home purchase cost in today's market.

The City is currently using 1913/15 Act Assessment Districts in new subdivisions, but only for work within the public right-of-way where the improvements have some general benefit to the City such as major streets, drainage, and utilities.

6. Development Impact Fees

In those Planned Urbanizing communities where a Facilities Benefit Assessment District **is not in place** City Council has adopted a Development Impact Fee schedule within each individual Community Financing Plan to provide for necessary public facilities (other than parks).

Sections 102.0301 of the Municipal Code requires that in the Planned Urbanizing Area developers shall, as a condition of any final map, make provision for providing their share of the needed public facilities within those communities where development is proposed. This section, which is enforced as a condition of subdivision approval, is only applicable to subdivisions approved subsequent to the adoption of the ordinance applying this requirement in November 1982. Properties with subdivision maps approved prior to this date do not have to comply.

The Development Impact Fee has been viewed as an interim measure to insure that properties that develop now provide their fair share of facilities.

7. Facilities Benefit Assessment Districts

In the early development of financing plans it was found that there was a group of public improvements that did not lend themselves to existing methods of financing. The financing plans covered development over a period of up to twenty years and an equitable "pay as you grow" method of financing timely provision of parks, transportation projects, fire stations, and libraries was needed. Most "new" financing techniques are a variation on the theme of some existing process that has been tried and tested. The Facilities Benefit Assessment (FBA) is similar to a 1913 Act Assessment District in its procedural aspects and basic philosophy of spreading the cost with equity and according to benefit. There are two main differences between a 1913 Act and the FBA. First, the FBA provides that in addition to the public improvements permitted under the 1913 Act, FBA assessments may be levied to finance the acquisition, construction and equipping of libraries, fire stations, schools, police stations, traffic signals and public works facilities. Second, rather than issuing bonds to finance the work, the assessment is paid when the building permits are issued and the assessments are calculated in proportion to the

number of dwelling units or acres of commercial or industrial lands being developed at that time.

The Facilities Benefit Assessment has stood the test of validation through the California State Supreme Court and is now considered the most important financing vehicle for providing for public facilities and infrastructure in the City of San Diego.

C. SCHOOL FINANCING

As indicated above in the review of the General Plan, the state legislation which provides for the collection of impact fees for school facilities was severely limited in 1980. As a result, the City Council has provided for schools under the terms of its Council Policy 600-22. In accordance with this policy, developers are required to present school availability letters from the serving district prior to approval of rezoning or development which would generate more school age children. This requirement applies primarily to the Planned Urbanizing communities as further delineated on the Map, Document No. 762647 which is attached to the Council Policy.

The requirement for school availability letters has led to several approaches by the various districts serving areas within the City of San Diego. These approaches are summarized as follows:

- ° The three school districts, the City and developers within North City West developed with the support of consultants, a School Facilities Plan. This plan was approved in 1980 and was followed by the Council adoption of a Financing Plan. Under the terms of this Financing Plan the developers were provided a number of options in assuring adequate school housing. Among these options were school district provision of the necessary facilities; developer provision of facilities; or participation in a deposit system uniformly applied to the entire community. Under the deposit system, the estimated cost per single-family dwelling unit in 1984 is approximately \$7,000, and for multiple-family dwelling units, approximately \$5,000.
- ° The San Diego Unified School District developed in 1981 a detailed analysis of school needs in its Planned Urbanizing communities. These school needs were, in turn, translated to a cost per dwelling unit for the various types of dwelling units throughout these developing communities. Developer funding was reduced to reflect district provision of sites and available funding from prior developer contributions. The resulting charge was approximately \$1,800 per single-family dwelling unit and \$900 per multiple-family

dwelling unit. The district has also begun a program to sell or lease surplus and/or underutilized properties with the revenues committed to the school facilities Capital Improvement Program.

- ° Several other districts, including Poway Unified, have pursued a similar approach, i.e., a full facility plan to accommodate the new growth and then the translation of this plan into a charge per dwelling unit. Fees vary widely from district to district depending upon each districts level of need.

VI. COMPARISON OF PLANNED APPROACH AND ACTUAL FINANCING TECHNIQUES

A. VARIATIONS

The voters in June of 1978, approved Proposition 13 which significantly altered municipal financing for both capital and maintenance of public facilities. The General Plan, including the Guidelines for Future Development and the financing strategies incorporated therein, was approved by the Planning Commission in August 1978, and by the City Council in February, 1979. Although the Plan followed Proposition 13, it had been developed in the period prior to the initiative and thus did not anticipate the long-term impacts of the shift in public facility financing. Of particular note was the anticipation that public facilities could be funded by impact fees for such improvements as fire stations, libraries, etc. Adoption of Proposition 13 suggested that a new overall approach to the financing of public facilities in new growth areas was necessary. This led in part to the development of the Facility Benefit Assessment District. This program was applied both to the North City West and North University City community areas. Legal tests regarding the application of this program to these two areas have only recently been concluded. Pending the conclusion of the validation effort, the remaining Planned Urbanizing communities have had financing plans adopted and impact fees established to provide, in effect, an interim measure in the financing of the needed public facilities.

Although there have been variations between what was conceived in the General Plan strategy and the strategy which was finally applied, the main objective of financing in the Planned Urbanizing communities has been achieved. Essentially, these communities are financing all of their necessary public facilities.

In the Urbanized communities, the General Plan suggested that the public facility upgrading and improvement should be borne by the City. The impact of Proposition 13, however, has diminished the

City and school districts' ability to respond to the needs in these communities. It is, therefore, suggested that there has been a variation between the General Plan proposals and those which were actually applied.

B. IMPACTS

The impacts of the applied growth management financing strategies upon the goals of growth management are difficult to correlate. However, the following general comments and observations are offered.

- ° The Planned Urbanizing communities which have received growth since 1979 have funding sources identified to assure the needed public facilities.
- ° The difference in the level of impact fees and other charges in the Planned Urbanizing and Urbanized communities may have stimulated in-fill, rehabilitation and redevelopment. Because a trend toward inner-city development was already underway due to other forces operating in addition to the General Plan the amount of growth redirected is difficult, if not impossible, to determine.
- ° In-fill and rehabilitation in certain of the older communities have adversely impacted the public facilities in those communities. Unfortunately, the mitigation of these impacts is reliant upon general City and school district funds which are in short supply.
- ° The significant costs entailed in providing the full school facilities in the Planned Urbanizing Area has undoubtedly had an effect in housing prices within these communities.

VII. REVIEW OF BASIC CONCEPTS OF WHO - HOW - WHEN - SHOULD MAKE PROVISIONS FOR PUBLIC FACILITIES

One of the central questions facing the Subcommittee dealt with the equity of various techniques used to pay for public facilities. In order to develop a better understanding of the issues involved, a review of major public facility types was undertaken. For each facility, the Subcommittee identified the individuals or groups which benefitted from the facility and the comparative level of benefit received by them. The Subcommittee early decided that unless countervailing considerations were identified the fairest system of spreading the cost for public facilities would be to have the beneficiaries pay in direct proportion to the level of benefit they enjoyed. Based on the Subcommittee's determination of who benefits, they next decided who should be required to pay for public facility development and operation. This led to a listing of

techniques suggesting how the beneficiaries should pay. Finally, the listing of proposed payment techniques was compared to the current techniques of payment utilized by the City.

All of this information is shown in a summary matrix (Appendix A) showing the relationships for all major public facility types. It was originally envisioned that it would be necessary to develop two matrices, one each for the Urbanized and Planned Urbanizing Area communities. However, as the work progressed, it was discovered that the equity questions presented resulted in the same conclusions for the two areas.

VIII. APPENDICES

- A. Cost Allocation Matrix
- B. Urban Institute Report
- C. Funding Growth-Related Infrastructure In Other Areas
- D. City of San Diego Schedule of Fees
- E. Description of Expense (Demand) and Revenue Categories
- F. Additional City Revenues Generated by Increases in Selected Taxes

Appendix A

APPENDIX A

COST ALLOCATION MATRIX

FACILITY	WHO BENEFITS (<u>S</u> pecial, <u>G</u> eneral, <u>I</u> ncidental)	WHO SHOULD PAY (<u>B</u> ulk, <u>M</u> ajor, <u>S</u> ignificant, <u>M</u> inor)	PROPOSED TECHNIQUE OF PAYMENT	CURRENT TECHNIQUE OF PAYMENT
SOLID WASTE				
Landfills				
Disposal Plants	G - All	Bulk - Users	Bulk - Users	Bulk - Gen'l Rev
Transfer Stations		Min - All	Min - Gen'l Rev	Min - Users
Equipment				
FLOOD CONTROL				
Retention & Dissipation Structures	S - Land Protected G - All	Maj - Land Protected Sig - All	Maj - Assess Maj - Exact Sig - Gen'l Rev	Bulk - Exact Min - Assess Min - Gen'l Rev
Bridges		Maj - Land Protected	Maj - Assess	Bulk - Gen'l Rev
Culverts		Sig - All	Maj - Exact	Min - Exact
Drains		Bulk - Land Accessed Solely by Bridges	Sig - Gen'l Rev	

APPENDIX A

COST ALLOCATION MATRIX

FACILITY	WHO BENEFITS (<u>S</u> pecial, <u>G</u> eneral, <u>I</u> ncidental)	WHO SHOULD PAY (<u>B</u> ulk, <u>M</u> ajor, <u>S</u> ignificant, <u>M</u> inor)	PROPOSED TECHNIQUE OF PAYMENT	CURRENT TECHNIQUE OF PAYMENT
STREETS & HIGHWAYS				
Freeways,	S - Land w/access	Maj - Motorists	Maj - User	Bulk - User
Expressways	S - Reg'l Motorist/Commuter	Sig - Land w/access	Sig - Assess	Sig - Gen'l Rev
	G - Reg'l Residents		Sig - Exact	
Primary Arterials	I - Others			Bulk - Exact
Major Streets				Min - Gen'l Rev
				Min - Assess
Collector,	S - Land w/Access			
Local Streets,	G - Reg'l Motorists/Commuter	Maj - Land w/access	Maj - Assess	Bulk - Exact
Alleys	I - Reg'l Residents/Others	Min - Motorists	Sig - Users	Min - Gen'l Rev
Bikeways	S - Bicyclists	Bulk - Users	Bulk - Users	Bulk - Gen'l Rev
	I - Others	Min - All	Min - Gen'l Rev	Min - Exact
Signals	S - Land w/Access		Maj - Users	Maj - Exact
	G - Reg'l Motorist	Maj - Motorists	Min - Assess	Sig - Gen'l Rev
	I - Others	Min - Land w/access	Min - Exact	
MASS TRANSIT				
Trolley System	S - User	Bulk - Users	Bulk - Users	Bulk - Gen'l Rev
	G - Hi-Service Areas	Min - Hi-Service Areas	Min - Assess	Min - User
	I - Others	Min - Motorists	Min - Exact	
Trolley Stations	S - User			
	S - Land w/in 1/4 mi.	Sig - Users	Bulk - Users	Bulk - Gen'l Rev
	G - Land 1/4 - 1/2 mi.	Sig - Land w/in 1/2 mi.	Min - Assess	Min - Exact
	I - Others	Min - Motorists	Min - Exact	Min - User
Busses	S - Users	Bulk - Users	Bulk - Users	Bulk - Gen'l Rev
	G - Hi-Service Areas	Sig - Motorists	Min - Assess	Min - User
	I - Others	Min - Hi-Service Areas		

APPENDIX A

COST ALLOCATION MATRIX

FACILITY	WHO BENEFITS (<u>Special</u> , <u>General</u> , <u>Incidental</u>)	WHO SHOULD PAY (<u>Bulk</u> , <u>Major</u> , <u>Significant</u> , <u>Minor</u>)	PROPOSED TECHNIQUE OF PAYMENT	CURRENT TECHNIQUE OF PAYMENT
PARKS & RECREATION				
Population-Based	S - Users	Sig - Land w/in service area	Maj - Users	Bulk - Exact
Community	S - Land w/in service area	Maj - Users	Maj - Assess	Min - Gen'l Rev
Neighborhood	G - All	Min - All	Sig - Exact	Min - Assess
Swimming Pools			Sig - Contrib	
			Min - Gen'l Rev	
Resource-Based	S - Users	Bulk - All	Bulk - Gen'l Rev	Bulk - Gen'l Rev
Active Open Space	S - Land w/in service area	Min - Land w/in service area	Sig - Contrib	Min - Contrib
	G - All	Min - Users	Min - Users	Min - Exact
			Min - Assess	Min - Assess
			Min - Exact	
Enhancements	S - Users	Bulk - Users	Bulk - Users	Bulk - Gen'l Rev
Recreation Centers	G - All	Min - All	Bulk - Assess	Min - Exact
Athletic Fields/ Courts			Sig - Contrib	Min - Contrib
				Min - Assess
OPEN SPACE				
Passive	S - Land Adjacent	Bulk - All	Bulk - Gen'l Rev	Maj - Exact
	S - Users	Min - Users	Min - Users	Maj - Assess
	G - All		Min - Exact	Min - Gen'l Rev
			Min - Assess	Min - Contrib
			Min - Contrib	

APPENDIX A COST ALLOCATION MATRIX

FACILITY	WHO BENEFITS (<u>S</u> pecial, <u>G</u> eneral, <u>I</u> ncidental)	WHO SHOULD PAY (<u>B</u> ulk, <u>M</u> ajor, <u>S</u> ignificant, <u>M</u> inor)	PROPOSED TECHNIQUE OF PAYMENT	CURRENT TECHNIQUE OF PAYMENT
FIRE				
Stations	G - All	Bulk - All	Bulk - Gen'l Rev	Bulk - Gen'l Rev
Equipment		Min - Users	Min - Users	Min - Exact
WATER				
Major Reservoirs, Importation System	G - All	Bulk - All Min - Users	Bulk - Gen'l Rev Min - Users	Bulk - Gen'l rev Min - Users
Local Reservoirs,	S - Users		Bulk - Exact	Bulk - Users
Mains, Locals,	S - Land Served	Bulk - Users	Bulk - Users	Bulk - Exact
Pumps & Stations	I - Others	Min - All	Min - Gen'l Rev	Min - Gen'l Rev
SEWER				
Treatment Plants, Interceptors	G - All	Bulk - All	Bulk - Gen'l Rev	Bulk - Gen'l Rev Min - Users
Mains,	S - Users		Bulk - Exact	Bulk - Exact
Locals,	S - Land Served	Bulk - Users	Bulk - Users	Bulk - Users
Pumps & Stations	I - Others	Min - All	Min - Gen'l Rev	Min - Gen'l Rev

APPENDIX A

COST ALLOCATION MATRIX

FACILITY	WHO BENEFITS (<u>S</u> pecial, <u>G</u> eneral, <u>I</u> ncidental)	WHO SHOULD PAY (<u>B</u> ulk, <u>M</u> ajor, <u>S</u> ignificant, <u>M</u> inor)	PROPOSED TECHNIQUE OF PAYMENT	CURRENT TECHNIQUE OF PAYMENT
SCHOOLS				
Elementary Schools		Bulk - All	Bulk - Gen'l Rev	Bulk - Gen'l Rev
High Schools		Min - Users	Min - Users	Min - Exact
Community Colleges		Maj - All	Maj - Gen'l Rev	Bulk - Gen'l Rev
		Sig - Users	Sig - Users	Min - Users
Land				
Core Facilities	G - All		Bulk - Gen'l Rev	Bulk - Gen'l Rev
Classrooms				Min - Exact
Equipment				
ENHANCEMENTS				
Cultural Programs			Maj - Contrib	Bulk - Gen'l Rev
Recreational Programs			Sig - Users	Min - Users
LIBRARIES				
Central	S - Users	Bulk - All	Bulk - Gen'l Rev	Bulk - Gen'l Rev
Regional	G - Others	Min - Users	Min - Users	Min - Exact
Branches			Min - Contrib	Min - Contrib
POLICE				
Stations	G - All	Bulk - All	Bulk - Gen'l Rev	Bulk - Gen'l Rev
Equipment		Min - Users	Min - Users	

APPENDIX A

COST ALLOCATION MATRIX

FACILITY	WHO BENEFITS (<u>Special</u> , <u>General</u> , <u>Incidental</u>)	WHO SHOULD PAY (<u>Bulk</u> , <u>Major</u> , <u>Significant</u> , <u>Minor</u>)	PROPOSED TECHNIQUE OF PAYMENT	CURRENT TECHNIQUE OF PAYMENT
PUBLIC WORKS STATIONS				
Land	I - All	Bulk - All	Bulk - Gen'l Rev	Bulk - Gen'l Rev
Structures				
Equipment				
PARAMEDICS				
Equipment	S - Users	Bulk - All Min - Users	Bulk - Users Min - Gen'l Rev	Bulk - Gen'l Rev Min - Users

NOTES:

Special = Direct specific benefit.
 General = Limited uniform benefit.
 Incidental = Indirect limited and/or occasional benefit

Minor = 0-25%
 Significant = 25-50%
 Major = 50-75%
 Bulk = 75-100%

Users = Fares, tolls, gas tax, use and license fees, parking meters
 Assess = Assessment districts, improvement districts
 Exact = Exactions and dedications thru development permit process,
 e.g. subdivisions, facilities benefit assessment, and park fees
 Gen'l Rev = General revenues, sales, property, transient
 occupancy and business license taxes, subventions,
 grants and rebates from federal and state governments.
 Contrib = Contributions from residents, endowments, life estates,
 wills, non-profit organizations
 Private = Privatization: payment for operation by homeowners
 associations, non-profit and profit organizations

APPENDIX B
URBAN INSTITUTE REPORT

**A GUIDE TO EVALUATING ALTERNATIVE
INFRASTRUCTURE FINANCING MECHANISMS FOR
THE CITY OF SAN DIEGO**

<u>Evaluation Criteria</u>	<u>Basic Issues</u>	<u>Major Policy Questions</u>
Yield	What is the revenue raising capability of different financing mechanisms?	Is the revenue yield a one-time payment (e.g., certain fees or charges) or a recurring yield over a regular interval (e.g., monthly, annual, etc.)? To what extent is the payment appropriate for covering a) capital costs, b) operating and main- tenance costs, c) both? Does the revenue yield keep pace with costs? Does the timing of the yield match roughly with the timing of when costs are incurred? Are there offsetting revenue losses from the improvements financed with the mechanism? How stable is therevenue yield to economic trends, political influences, etc.?
Equity	What is the incidence of the financing mechanisms within and across different groups?	Who pays for capital costs: beneficiaries of infras. improvements, general public or both? Who benefits? What is the tax or fee a) base, b) rate? Is the tax or fe structure regressive, proportional, or progressive? Are exemptions provided? Do user charges reflect cost differentials among facilities and different types of users? How are major classes of revenue payers -- e.g., industry and residential -- dis- tinguished? Is the revenue burden likely to be passed on to occupants of a site, capitalized into land values, or borne by developers? In what ways are the short-term equity implications different from long-term ones? What do the equity implications mean in terms of capital financing philosophy?
Relation to Benefits	To what extent does the mechanism(s) chosen relate to the benefits derived, or the costs imposed, by the groups who pay?	What, if any, is the correlation between the source of financing and the purpose to which it will be put? Is the financing intended to allocate facility capacity by "pricing" it accordingly? What are the differences in choice of financing on public vs. private benefits and costs?

Administrative Ease/
legality

What legal, administrative, and enforcement problems are raised by the different financing mechanisms?

Is the mechanism legal now? If so, are there restrictions on the permissible form that mechanism can take? If not, what action would be required to make the mechanism legal and at what level of government? Is voter approval required? By what margin? Is the administrative structure in place to implement mechanism? How are revenues to be collected and distributed and enforcement assured? Would intergovernmental coordination be required to make using the mechanism feasible (i.e., the boundary problem)? What proportion of revenue yield will be consumed by administrative cost?

Political Acceptability

What are the political ramifications of selecting alternative financing sources?

What group(s) benefit politically from the choice of financing? Is the impact on overlapping jurisdictions considered? Will use of any given mechanism lock the jurisdiction into following a certain course of action? Does the selected financing imply a subsidy for certain groups? If so, to whom? What inter-jurisdictional problems may arise from selecting different financing options?

Incentives/
Disincentives for
Economic Development

How will the choice of financing affect community comparative advantage?

Will the proposed financing mechanism induce consumers to use facilities or purchase goods and services in competing jurisdictions? What changes in business location decisions may be made on account of the proposed taxes or fees?

ALTERNATIVE INFRASTRUCTURE FINANCING MECHANISMS

	<u>Gas Tax</u>	<u>Sales Tax</u>	<u>User Fees & Charges, Incl. Tolls</u>	<u>Tax Increment Financing</u>	<u>Privatization (See Note)</u>	<u>Hotel Occupancy Tax (Room Tax)</u>	<u>Non-Traditional Utilities</u>
Yield	Yield potential high compared to other auto-related levies, but little used by local government. Actual yield will depend on form of gas tax, i.e., flat rate or ad valorem, with latter having advantage of rising with inflation. Yield will also vary substantially among urban areas depending on land use patterns and auto ownership rates. Stability of gas tax good in that demand for motor fuel and auto travel relatively constant. At the same time, revenue yield may not rise in tandem with costs.	Overall Yield depends on a broadness of base (e.g., general consumption, retail sales); b) tax rate (most local sales taxes range from 0.5 - 1%); and, c) characteristics of jurisdiction in terms of residential vs. commercial activity. Although sales taxes account for relatively small proportion of total tax collections, the yield in aggregate from general and selective sales and gross receipts taxes second only to local property tax. Retail sales taxes, the most common form of sales levies, respond well to small increases in base. Their stability though is not assured because of sensitivity to price increases and decreases.	Yield typically proportional to operating and/or capital costs, including debt service and reserve funds. Yield from some fees and charges more predictable than others, e.g., sewer and water rates vs. "impact" fees paid by developers often on one-time basis. Stability of yield will depend on inelasticity of demand for facilities and extent to which substitute facilities are available for those on which fees/charges are imposed.	Yield depends on size of TIF district, number and type of properties included within it, type and cost of public betterments undertaken, and whether intended value increases are realized. Revenue gains diverted to district may deprive them from being used for general revenue purposes and require increasing tax rates to support general expenditures. Revenue yield stable while tax base frozen, although it may fluctuate unexpectedly if competition from nearby developments detracts activity from district.	N/A (See below)	Yield potential depends on broadness of base (i.e., number of hotel rooms), room rates, occupancy levels, and rate of the tax itself. The hotel occupancy tax operates like a sales tax that is levied as a percent of the base room rate often in addition to other sales taxes. Room rates range from a low of 4 percent to a high of over 12 percent nationwide. Stability of the revenue yield is affected by the business cycle (i.e., downswings can cause loss of business travel) and by seasonality of tourist business. Revenues are not typically used for basic infrastructure investments.	Yield can be set to recover costs, although it does not have to be. Revenues are derived from different sources depending on the utility--water and wastewater facilities typically assess users in proportion to consumption; stormwater and transportation utilities may receive revenues based on use as well as parcel size, front footage, or intensity of development. Utility proceeds relatively stable, although when strictly user-based, they are sensitive to sharp increases or decreases in consumption. Proceeds may support capital or operating expenses, again varying as a function of each specific model.

ALTERNATIVE INFRASTRUCTURE FINANCING MECHANISMS

	<u>Gas Tax</u>	<u>Sales Tax</u>	<u>User Fees & Charges, Incl. Tolls</u>	<u>Tax Increment Financing</u>	<u>Privatization (See Note)</u>	<u>Hotel Occupancy Tax (Room Tax)</u>	<u>Non-Traditional Utilities</u>
Equity	<p>Tax equitable insofar as all drivers as a group pay for cost of highways (assuming proceeds put into road fund). Incidence regressive in taking a higher proportion of income from low-income families. This could be compensated for if low-income families receive disproportionate share of benefits, as explained below.</p>	<p>Sales taxes are regressive, but pattern of incidence can be overcome through use of exemptions for certain affected groups. Using sales tax to support infrastructure improvements implies general revenue subsidy of direct users of infrastructure as overall capital financial philosophy.</p>	<p>While linkage between benefits received and costs incurred more direct, fee/charges may be regressive if flat rates based on actual or average use are established to allocate costs. Final incidence for development type fees and charges will depend on supply of land and demand characteristics of consumers. Development fees likely to be capitalized by landowners or borne by developers if land supply abundant in competing jurisdictions without such fees, and if consumers' demand is price elastic. Otherwise, fees likely to be passed forward. Regressivity of fees/charges can be lessened through subsidies for certain groups.</p>	<p>If diversion of increments necessitates increasing general tax rates, then community at large paying for improvements that largely benefit distinct district. On the other hand, it is not clear that property tax increments, had they been generated, would have been available for purposes for which general taxes were increased. (See further discussion on relation to benefits and incentive/disincentives for economic development below).</p>	<p>Transfer and/or contracting services to private sector often accompanied by increasing charges, especially if service previously subsidized when operated publicly (e.g., transit, wastewater, etc.). Thus, may need to design offsetting credits for lower income groups if privatization to be equitable. Least profitable services may be dropped altogether under full scale privatization these tend to be the services performing redistributive functions.</p>	<p>No necessary correlation between those who pay and those who benefit from the tax. Hotel taxes are a popular form of local taxation because they export costs to nonresidents (i.e., to business travellers or tourists). To the extent that proceeds of the tax are dedicated for improvements to tourist or business facilities, such as convention centers, those who pay the tax may benefit from it.</p>	<p>Equity promoted to extent utility fees proportional to consumption; nevertheless, utility pricing may be regressive, especially where demand is inelastic. Added burden if utility fees come on top of already existing tax load. Fees including lot size, front footage, etc. are more equitable if such characteristics accurately reflect demands put on utility systems. There may be exceptions, for example, if differing land absorption rates of stormwater are not considered. Circuit breakers can reduce potential regressivity of utility based financing.</p>

ALTERNATIVE INFRASTRUCTURE FINANCING MECHANISMS

	<u>Gas Tax</u>	<u>Sales Tax</u>	<u>User Fees & Charges, Incl. Tolls</u>	<u>Tax Increment Financing</u>	<u>Privatization (See Note)</u>	<u>Hotel Occupancy Tax (Room Tax)</u>	<u>Non-Traditional Utilities</u>
Relation to Benefits	<p>If used for road or transit improvements, gas tax can be considered indirect service charge on road or transit use. Difficult, however, to impose tax in a way that "prices" facility use. i.e., for peak/non-peak hour travel; congested/uncongested roads and transit capacity. Further, while gas tax pegged to mileage driven roughly equates benefits and costs, not each mile driven results in same variable or capital costs. Some individual drivers may benefit less and pay more (or vice versa) than drivers as a group. In addition, gas taxes and volume of road and transit use typically are considerations independent from capital investment decisions.</p>	<p>Sales taxes, especially on selective goods and services effective way of encouraging or discouraging consumption, but difficult to tailor tax to specific users of infrastructure facilities or to capital needs.</p>	<p>Fees/charges probably best mechanism for directly relating benefits received, or costs imposed, by groups who pay.</p>	<p>TIF tends to favor landowners and developers in paying publicly for infrastructure costs that they might otherwise bear. Private benefit pronounced where proceeds of allocation bond issues used to finance land writedowns. Landowners might then receive higher price for land than if sold on open market and developers could purchase land more cheaply. may be broader public benefit to extent that use of TIF, as currently interpreted by courts, favors redevelopment over new development. TIF good way of attracting development interest in blighted areas that would not be considered without incentives.</p>	<p>To extent privatization permits greater specification of service delivery methods, units of production, and client and area coverage, it may be linked more closely to beneficiaries than public service provision. Service contracting typically more flexible to changing needs or opportunities presented by new technology, production methods or skill requirements than public sector service provision. Where expected benefits are not produced, public sector retains option of not renewing contract. Fee based structure accompanying privatization (full scale and contracting) links service supply to recipients' demand/willingness to pay.</p>	<p>Unlike a user fee which directly links the source of financing with the purpose for which it will be put, the link between a room tax and the purposes for which it will be used is often tenuous. For this reason, the tax is not typically used as a mechanism for allocating facility capacity, for example, as water charges are used to regulate consumption.</p>	<p>Questionable whether utility users are also the prime beneficiaries. For example, property owners paying into a transportation utility that finances road improvements would be subsidizing other citizens using the road that are not part of the utility district. At the same time, the utility model is generally effective in tying capacity requirements to the demands being put on the system.</p>

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	<u>Gas Tax</u>	<u>Sales Tax</u>	<u>User Fees & Charges, Incl. Tolls</u>	<u>Tax Increment Financing</u>	<u>Privatization (See Note)</u>	<u>Hotel Occupancy Tax (Room Tax)</u>	<u>Non-Traditional Utilities</u>
Political Acceptability	As evidenced by the few localities using gas taxes, political acceptability is low. This may be because states rely heavily on gas tax proceeds for road improvements and general purposes.	Local sales taxes highly acceptable, as indicated by fact that over 6,000 local government units in 26 states using them in 1983. Use of sales taxes has grown consistently, typically at a faster rate than the use of other broad based taxes. 1983 ACIR survey found general public more favorable toward local sales tax increases than to increases in local income or property taxes. This attitude more pronounced in south and west than northeast.	Highly acceptable if political consensus favors constructing and operating self-supporting facilities. On the other hand, as visible levies, fees and charges may be hotly contested.	Acceptable from standpoint of allowing localities to circumvent conventional limitations on borrowing. Also politically popular way to finance redevelopment activities where constituencies for such activity may be lacking. May pose political problems if redevelopment efforts fail and increments not produced, especially if bondholders interests are not adequately protected. Political problems may arise additionally from conflicting interest of overlapping jurisdictions, which do not want to be part of TIP district. Latter can be mitigated by limiting revenues from certain types of overlapping jurisdictions--for example, school districts.	Privatization may be politically expedient for budget balancing reasons if not for clear-cut efficiency gains. Nevertheless, shifting to private service delivery, especially where large firms are involved, is highly visible and vulnerable to political opposition. Because privatization often involves renegotiation of compensation agreements, unions may constitute most vocal critics of privatization schemes, leading possibly to strikes, service disruptions deterioration of morale among work force. Resolving opposition by unions and other stakeholders favoring public control may require lengthy front-end negotiation, which will increase administrative costs.	Highly acceptable politically as an export tax whose burden falls on nonresidents. In California, popularity of the tax is increased by the fact that it can be introduced or increased by ordinance and does not require two thirds voter approval. Potential opponents of the tax, such as Convention and Visitors' Bureaus, can be persuaded to lend their support if proceeds of the tax, or a portion thereof, are dedicated for tourist or convention facilities or operations.	Relating fees to services provided makes utility approach easier for policymakers to justify. Greatest difficulty may be in explaining why existing taxes are not sufficient to support utility costs. Fees have to be soundly established to avoid encountering opposition, particularly from property owners.

ALTERNATIVE INFRASTRUCTURE FINANCING MECHANISMS

	<u>Gas Tax</u>	<u>Sales Tax</u>	<u>User Fees & Charges, Incl. Tolls</u>	<u>Tax Increment Financing</u>	<u>Privatization (See Note)</u>	<u>Hotel Occupancy Tax (Room Tax)</u>	<u>Non-Traditional Utilities</u>
Administrative Ease/Legality	Option to levy a local gas tax is available to California counties. Tax must be approved by County Board of Supervisors and/or City Councils and ratified by the voters. To be effective administratively, would require cooperation from neighboring counties to impose roughly uniform fuel tax levy.	Local sales tax legal in California, but municipalities using it are at legal tax rate limit. Raising the limit will require state legislation. Regarding implementation, the biggest problems with the tax are collecting (and auditing) sales tax receipts from many small businesses, and overseeing that exemptions properly applied. Exemptions increase cost of compliance. No major interjurisdictional coordination problems in California due to provision for counties to credit sales tax collections made within the city.	Services/facilities for which fees and charges imposed have to be amenable to pricing. Even then, need to have political acquiescence on the proportion of funds that should be raised through users (as opposed to general revenues), and to overcome difficulty of setting prices in view of price elasticities, marginal costs, and the distribution of benefits. Some fees/charges may be subject to legal challenge if connection between benefits and costs not explicit.	Procedures for using TIF (allocation financing) in California well established. Authority to designate district extends, unlike some other states, to noncontiguous parcels if blight can be proven. (Must also show that area suffers social and/or economic liabilities requiring redevelopment to protect public health, safety and welfare). Adequate control over TIF districts in CA because redevelopment authorities under aegis of state. Sound planning and implementation provided by requirement for district plan and neighborhood impact statement.	Services have to be amendable to pricing and offer reasonable profit potential. A recent ICMA survey of 1,780 U. S. cities and counties indicated that contracting remains less widely used than popularly believed. Of those localities responding with population 50,000 or greater, about 25-35% contract for residential solid waste collection, street repair, paratransit, and buildings and grounds maintenance. Other administrative concerns: 1) need to have private operators available who are willing and capable of providing service; 2) need precise contract specifications and performance monitoring. Administrative ease will vary (by service) depending on whether government agency provides reimbursement directly to vendors or whether fees must be collected through government and then paid out to vendor. Legality may be questionable in terms of federal (e.g., franchising restrictions), state and local laws.	Option to levy a hotel occupancy tax is already being exercised in San Diego. The tax rate can be increased currently by City Council ordinance, although this may be changed if the Jarvis initiative passes. The administrative system to collect the tax is already in place and the cost of administration is not substantial.	Depends on whether utility an independent entity or a subunit of existing operating department. The former provides for greater autonomy at the risk of less accountability. If established as governmental subunit, may be able to minimize controversy over the utility approach as well as some start-up costs. Front-end costs, nevertheless, are likely to be substantial, reflecting engineering financial and legal studies that may be required changes in accounting techniques, and improvements to existing data bases. Public education campaign (i.e., flyers, audiovisual presentations, newspaper ads, etc) may also be required. Enabling legislation probably necessary, including description of how fees are to be collected and/or dedicated to the purposes for which they were intended.

ALTERNATIVE INFRASTRUCTURE FINANCING MECHANISMS

<u>Gas Tax</u>		<u>Sales Tax</u>	<u>User Fees & Charges, Incl. Tolls</u>	<u>Tax Increment Financing</u>	<u>Privatization (See Note)</u>	<u>Hotel Occupancy Tax (Room Tax)</u>	<u>Non-Traditional Utilities</u>
Incentives/Disincentives for Economic Development	Generally neutral with respect to incentives and disincentives for economic development.	Because of broader base than gas tax, greater risk of negative economic effect if consumers encouraged to purchase goods and services from neighboring jurisdictions which do not impose such taxes. Opportunity for avoidance smaller the larger the taxing jurisdiction. Some industries may be negatively affected if--because of availability of substitutes--consumption shifts from taxed to untaxed items.	As noted above, incentives/disincentives for developers will depend on supply and demand characteristics determining whether fees will be absorbed or passed on. This, in turn, depends partially on fee policies in competing jurisdictions. For industries, especially smaller ones, fees may impose severe financial hardship or discourage some industries from locating (or expanding) operations in a particular community.	Incentives to development enhances where projects funded through TIF desirable to market. Disincentives if a) by deferring potential revenues to support facilities citywide (assuming general tax rates are not raised), the quality of public services declines; and, b) tax increases necessary because of TIF discourage plant location and expansion. An additional consideration is that TIF could lock a jurisdiction into a pattern of development--at least until debt service paid--that does not conform with changing development needs.	If service quality improves, privatization could enhance a city's image. In addition, any cost savings obtained could be channeled into specific economic development activities. On the other hand, if service contracting or total privatization creates coordination problems between public and private services, adverse economic consequences due to poor image could result.	Taxation possibilities are limited, in part, by rates in other cities. If rates become too high, particularly if combined with other sales tax charges on hotel rooms, food and beverages, a city could jeopardize its competitiveness as a tourist center or convention site. In reality, the level of room taxes is a relatively minor factor in the comparative attractiveness of various cities.	Funding base usually adequate to ensure high quality of infrastructure that, in turn, is attractive to industries with heavy capital needs. Utility based financing can be disincentive to development if fees higher than in neighboring jurisdictions.

ALTERNATIVE INFRASTRUCTURE FINANCING MECHANISMS

	<u>Gas Tax</u>	<u>Sales Tax</u>	<u>User Fees & Charges, Incl. Tolls</u>	<u>Tax Increment Financing</u>	<u>Privatization (See Note)</u>	<u>Hotel Occupancy Tax (Room Tax)</u>	<u>Non-Traditional Utilities</u>
Other Issues	Imposition of the tax could mean double taxation if gas tax not excluded from sales tax levy.			To ensure cost control, useful to specify proportion of base that can be frozen, period of time base will remain frozen, maximum time during which public expenditures can be made, and what to do with any surplus increments that may be produced.	Degree to which private providers "better" than public depends on type of organization selected (business, nonprofit organization, neighborhood association) and on adequacy of capital base, organizational/management skills, staff expertise, etc.		

(Note: Except where indicated, discussion below pertains to service contracting as opposed to total divestiture of public functions to private sector. The latter tends to imply significantly lower amounts of control over service quality and quantity.)

* There is no yield from privatization per se. The reliance on private providers is instead premised on cost advantages realized through economies of scale, efficiency gains, and less generous employee compensation packages. Improvements in service effectiveness saved as much as 50 percent of public costs (e.g., San Diego Transit's contracting for local taxi feeder service). Overall, cost savings depend on many factors including the type and size of contractor, service area characteristics, the existence of competition, and the assessing potential cost advantages is that there are few services provided both by public and private sector against which to compare. Moreover, a full accounting of public costs often does not exist.

Public/Private Financing of Parking Facilities

Some units of government recently have begun to take advantage of Federal tax law provisions through public/private financial arrangements for developing public facilities. The most radical aspect of these arrangements is the private ownership that is sometimes required. In some cases municipalities have participated to the extent of providing tax-exempt financing to the private partner through the sale of bonds. The chief advantage to the municipality is that the cost required to provide a particular public service can be lower through private ownership or development than through the public "borrow and build" approach. The private party to such a transaction can receive tax benefits plus, in some cases, a tax-exempt rate of interest.

These new forms of providing public facilities pose some potential problems. First, in some cases, the municipality must accept the non-traditional role of lessee. The municipality that has always financed and held full title to its assets must carefully evaluate whether it can accept this role. Second, the implementation of a project would be more complicated than the traditional "borrow and build" approach. The process of finding a private sector "partner" and then structuring the program to achieve maximum benefit for both the municipality and the private partner requires more financial and legal expertise than most communities have at their disposal. The cost of securing such expertise should be evaluated against the potential cost savings. Finally, the complications that the new methods present will require expenditures of time and money even before an initial decision can be made so as to be certain that the new method is clearly advantageous. The time required for such an analysis should be evaluated in light of how urgently the facility is needed.

Municipal bonds offer tax-exempt status for the investor in order to achieve a lower interest rate for the borrower. However, this "tax subsidy" for municipal borrowing has declined as individual and capital gains rates have dropped while financing costs and competition for available funds have increased sharply. Additionally, the Congressional requirement for municipal bonds to be registered adds another cost which will further erode the tax-exempt position. Changes in Federal tax law have provided accelerated cost recovery methods to stimulate private investment. Of course, these cost recovery methods are not available if an asset is in public ownership.

The new municipal finance techniques referred to above will allow a municipality to "pass through" the ownership advantages of accelerated depreciation by providing needed public facilities via the private sector, thus reducing the effective cost of those facilities to the municipality. The initial development of the facility can be undertaken by the municipality, which becomes the lessee upon the sale of the facility to the private party; or the private party may develop the facility and lease it to the municipality. The following table demonstrates the tax treatment allowed for various public/private transactions under current Federal tax law. Each type of transaction is discussed further, after the table.

Public Facility Tax Treatments

	<u>Ownership</u>	<u>Tax-Exempt Rate</u>	<u>Accelerated Depreciation</u>
Traditional "Borrow and Build" Approach	Public	Yes	No
Operating (True) Lease Approach	Private	No	Yes
Lease-Purchase Agreement Approach	Public	Partial	No
Sale/Leaseback (Under True Lease) Approach	Private	Optional	Yes

1. Operating Lease

The operating lease approach requires that the lease meet IRS guidelines for a true lease under which the municipality merely uses the facility for a period of time. The following points characterize a true lease:

1. The term of the lease is usually less than the facility's useful life.
2. The parties to the transaction may not have a prior agreement on the purchase price for ownership transfer at the end of the term of the lease.
3. The municipality may buy the facility only for its fair market value at the end of lease term.
4. The private owner is usually responsible for maintenance, insurance, and taxes.

If the lease is properly structured, the private owner received the depreciation benefits not available to a public owner. Therefore, the municipality's lease payments could be lower than bond amortization payments, depending on current interest rates and the private owner's required rate of return.

2. Lease-Purchase Agreement

Under a lease-purchase agreement, there are no depreciation benefits, due to the fact that it is not a "true lease" but rather a sale agreement. The lessor is really selling the asset to the lessee for the amount of the "lease" payments. Because the transaction is a sale, the facility is considered to be in public ownership. By meeting IRS "obligation" requirements while avoiding classification as debt under

state law, a properly structured lease-purchase agreement can allow the "lessor" to treat the interest portion of the "lease payment" as tax-exempt income. This can possibly result in "lease" payments that are lower than bond payments. Classification of the obligation as "debt" for the municipality can be eliminated by including a non-appropriation clause in the agreement that will allow the municipality to terminate the "lease." Cities interested in this approach should review state law regarding such transactions; in some states they may be classified as a debt obligation, requiring voter approval.

3. Sale-Leaseback

The sale-leaseback transaction is merely a device for the sale of the facility's depreciation benefits to a private party in order to reduce the tax liability of the private party. A "true lease" sale-leaseback receives the tax treatment of a "true lease" if the agreement is properly structured, with the depreciation benefit serving to reduce the lease payment. An example of such a transaction would involve a sale of a facility by a municipality for a certain percentage down with note payments for the remainder. The note payments could cover the municipality's debt payments with operating revenue planned to cover the municipality's operating cost. The municipality would lease back the facility from the private party, with the agreement that the public body could repurchase it after expiration of the lease.

The sale-leaseback approach has been used in some cases with a technique known as tax-exempt, leveraged-lease financing. This approach involves a third-party acting as a long-term lender. The third party provides the leverage (financing) to the lessor and receives a security interest in the leased asset in addition to repayment of the loan. One of the most successful uses of this arrangement took place in Oakland and included not only long-term financing from Industrial Revenue Bonds but also the sale and lease-back of certain municipal properties simply to raise capital for debt service and lease payments on other assets. However, provisions in the 1984 tax legislation have restricted leveraged-lease financings such as this, by prohibiting the use of accelerated depreciation and rehabilitation tax credits to owners of existing or rehabilitated property leased to cities.

Comparison of Development Methods For Parking Facilities

	<u>Public Development/Ownership</u>	<u>Privatization</u>
Cost	Development of parking facilities by the public sector can take advantage of the tax-exempt financing rate. However, there will be no benefits from depreciation or interest deductions which create lower costs for private projects, and the facilities will not be on the property tax rolls. The public must assume full responsibility for financing and development. Operating costs may be lowered by entering into a service contract with a private parking contractor.	Financing can be obtained at the taxable rate, or the city can provide assistance through grants or tax-exempt bond financing. In a sale-leaseback, the city can use tax-exempt bonds to finance construction; in a lease-purchase agreement, the interest portion of the lease payment may be treated as tax-exempt. The private owner can reduce costs through ACRS depreciation (unless there is a lease-purchase agreement) and interest deductions (if taxable rate financing is used). The city receives property taxes, unless there is a lease-purchase agreement or tax abatements are granted. The city has financing/development responsibility only in a sale-leaseback transaction. Operating costs can be borne by the private owner or, if the facility is leased to the city, the city can operate it or contract for service.
Equity	Since parking fees pay for some of all of the debt service and operating costs, there is at least some degree of user payment. The public sector can control the fee structure to assure adequate revenue and/or usage.	Parking fees pay for some or all of the lease payments and operating costs, shifting payment burden to the users. The same is true if the facility is both developed and operated privately. The city can control the fee structure to assure adequate cash flow and also to keep fees reasonable.
Relation to Benefits	The public would own the structure if financed, and all benefits would accrue to the public. Revenue bonds would be paid from parking fee revenues. Costs may be higher than privatization method, however.	The structure would only be in public ownership if a lease-purchase agreement is used. Otherwise, the public sector must pay fair market value for the facility at the end of the lease term, if it wishes to own the structure; land title can remain public, however, with a ground lease to the owner of the facility. Public costs are usually lower, because owner receives depreciation and interest deduction benefits and pays property taxes under an operating lease or sale-leaseback.

Comparison of Development Methods For Parking Facilities

	<u>Public Development/Ownership</u>	<u>Privatization</u>
Political Acceptability	A major issue could be whether to establish a separate parking authority or district which can issue its own debt and insulate the city from this obligation. Financing may have to be approved by referendum (if g.o. bonds are to be sold). This could be more politically acceptable than privatization if citizens feel that parking should be strictly a public responsibility or perceive risks under privatization.	There is some uncertainty about how costly structuring a privatization agreement might be (i.e., financial and legal fees) and whether this would delay the project. Having the facility on the property tax rolls (except in the case of a lease-purchase) and generally lower costs to factors. The city can avoid having to "sell" a bond referendum to the voters, but may have to convince the public of the worth of privatization of public services and/or facilities.
Administrative Ease/Legality	The usual procedures for handling a bond financing would apply; also, if a parking district or authority is to be used, there is some uncertainty about how easy it would be set up. (However, public ownership may be perceived as being the easier way to go, since it's the "traditional" approach.)	Without previous experience, privatization may be difficult the first time around and have higher legal costs. However, most cities' experience is that lease transactions save money on "big ticket" projects like this.
Incentive/Disincentive for Economic Development	N/A	N/A
Other Issues		If the city will wish to purchase the facilities at the end of the lease term, there is some uncertainty about what the "fair market value" will be. However, the value can be encumbered by granting the private owner only a ground lease instead of selling the land. In lease-purchase agreements, most will contain a nonsubstitution clause, preventing the city from leasing the same asset from another vendor. This will rarely cause a problem, however.

APPENDIX C

FUNDING GROWTH-RELATED INFRASTRUCTURE IN OTHER AREAS

Fort Collins, Colorado

- a. General philosophy is that developers are responsible for construction of all local facilities and pay fees for construction of larger facilities. Oversizing costs can be recovered from other future developers who benefit from the enlarged capacity.
- b. Established joint public-private process for setting development impact fees which are updated annually.
- c. Instituted annual review of five-year service plans prepared by City departments to evaluate appropriateness of service levels and standards.

Fresno, California

- a. Established an urban growth management boundary which extends from zero to four miles outside the current urbanized area.
- b. The City is divided into zones for each type of public service and fees are established for each zone based on a review of existing capital facilities and future requirements.
- c. Initial developers in growth management zones pay an accelerated fee (approximately 2 1/2 times the base fee). Once the total improvement cost is collected, the fee is reduced to the base rate, and subsequent collections are used to reimburse (without interest) developers who contributed at the higher rate for up to 10 years.
- d. School impact fees are also collected and vary by school district.

Boulder, Colorado

- a. Restricts areas in which development may occur.
- b. Limits the number of building permits which can be issued each year.
- c. Instituted developer impact fees which are kept in escrow accounts for specific improvements.
- d. Base fees are charged to subdivisions on a pro rata basis and can increase at an established percentage.

Orlando, Florida

- a. Orange County pays for oversizing water lines; developers pay the full cost of improving sewers and roads.
- b. Off-site road improvements are subject to negotiation in every case.
- c. Developers must buy capacity in existing sewage treatment facilities (\$1,600 per connection) or pay for construction of new, subregional treatment plants.
- d. A local fuel tax (4¢/gal.) provides some funds for road improvements although road impact fees are also being considered.

Portland, Oregon

- a. Oregon law authorizes formation of Local Improvement Districts (LIDs). Once approved by the City and at least fifty percent of the voters in the proposed district, LIDs can generate front-end capital improvements financing by issuing tax-exempt general obligation bonds.

Montgomery County, Maryland

- a. Requires that all public facilities must be programmed and funded before new subdivisions are permitted.
- b. Developers are responsible for installing all on-site roads with possible later reimbursement for oversize facilities.
- c. Created a "road club" program in which charges are placed on homeowners' tax bills and amortized over a period of five or ten years.
- d. Extensive red tape has reduced the attractiveness of this method.

APPENDIX D

CITY OF SAN DIEGO SCHEDULE OF FEES, OCTOBER 1984

COMMUNITY	FEE TYPE	\$/SFDU	\$/MFDU	\$/CAC	\$/IAC	SCHOOL FEE (SFDU)
CARMEL MOUNTAIN RANCH (RANCHO CARMEL)	DIF	--	--	--	--	\$5,547.00
	PARK FEE	nya	nya	nya	nya	--
	TOTAL	nya	nya	nya	nya	\$5,547.00
FAIRBANKS COUNTRY CLUB	DIF	\$5,943.00	--	\$18,414.00	--	\$2,910.00
	PARK FEE	\$100.00	--	--	--	--
	TOTAL	\$6,043.00	--	\$18,414.00	--	\$2,910.00
MID-CITY	DIF	--	--	--	--	--
	PARK FEE	\$880.00	\$660.00	--	--	--
	TOTAL	\$880.00	\$660.00	--	--	--
MIRA MESA	DIF	\$504.05	\$352.84	\$21,725.00	\$5,594.00	\$1,832.00
	PARK FEE	\$1,133.37	\$793.36	--	--	--
	TOTAL	\$1,637.42	\$1,146.20	\$21,725.00	\$5,594.00	\$1,832.00
MIRAMAR RANCH NORTH (CURRY DEVEL. AGREEMENT)	DIF	--	\$2,487.24	--	\$9,878.00	\$1,832.00
	PARK FEE	CITY STD	CITY STD	--	--	--
	TOTAL	--	\$2,637.24	--	\$9,878.00	\$1,832.00
NORTH CITY WEST	FBA/DIF	\$8,346.01	\$5,842.21	\$25,195.91	\$24,034.98	\$6,725.00
	PARK FEE	CITY STD	CITY STD	CITY STD	CITY STD	--
	TOTAL	\$8,346.01	\$5,842.21	\$25,193.91	\$24,034.98	\$6,725.00
NORTH UNIVERSITY CITY	FBA/DIF	\$2,083.51	\$1,458.46	\$52,692.00	\$12,647.00	\$1,832.00
	PARK FEE	CITY STD	CITY STD	CITY STD	CITY STD	--
	TOTAL	\$2,083.51	\$1,458.46	\$52,692.00	\$12,647.00	\$1,832.00
OTAY MESA	FBA/DIF	nya	nya	nya	nya	\$2,450.00
	PARK FEE	nya	nya	nya	nya	--
	TOTAL	nya	nya	nya	nya	\$2,450.00
PARK NORTH EAST	DIF	--	--	--	--	--
	PARK FEE	\$880.00	\$660.00	--	--	--
	TOTAL	\$880.00	\$660.00	--	--	--
PENASQUITOS	DIF	\$521.06	\$364.74	\$14,959.00	--	\$5,547.00
	PARK FEE	\$823.10	\$576.17	--	--	--
	TOTAL	\$1,344.16	\$940.94	\$14,959.00	--	\$5,547.00
RANCHO BERNARDO	DIF	\$109.00	\$109.00	\$763.00	\$218.00	\$5,547.00
	PARK FEE	\$494.86	\$346.40	--	--	--
	TOTAL	\$603.86	\$455.40	\$763.00	\$218.00	\$5,547.00
SABRE SPRINGS	DIF	\$1,689.68	\$1,182.77	\$3,615.91	\$2,517.62	\$5,547.00
	PARK FEE	--	--	--	--	--
	TOTAL	\$1,689.68	\$1,182.77	\$3,615.91	\$2,517.62	\$5,547.00
SCRIPPS MIRAMAR RANCH UNTIL 1-1-85 UNTIL 1-1-85	DIF	\$1,386.48	\$970.54	\$47,332.00	\$16,156.00	\$1,832.00
	PARK FEE	\$1,175.46	\$1,175.46	--	--	--
	TOTAL	\$2,561.94	\$2,146.00	\$47,332.00	\$16,156.00	\$1,832.00
SOUTH BAY TERRACES	DIF	--	--	--	--	\$1,832.00
	PARK FEE	\$487.23	\$341.06	--	--	--
	TOTAL	\$487.23	\$341.06	--	--	\$1,832.00
TIERRASANTA	DIF	\$490.50	\$343.35	\$14,715.00	\$7,358.00	\$1,832.00
	PARK FEE	\$804.42	\$563.09	--	--	--
	TOTAL	\$1,294.92	\$906.44	\$14,715.00	\$7,358.00	\$1,832.00

Source: San Diego City Financial Management Department

Notes: SFDU = Single-family Dwelling Unit
MFDU = Multiple-family Dwelling Unit
CAC = Commercial Acre
nya = Not Yet Applicable

IAC = Industrial Acre
DIF = Development Impact Fee
FBA = Facility Benefit Assessment

CITY STD = Park Fee Ordinance: \$200 fee per SFDU, \$150 fee per MFDU. Park fee payable
50% at time of subdivision approval, 50% at time of building permit issuance.

APPENDIX E

DESCRIPTION OF EXPENSE (DEMAND) AND REVENUE CATEGORIES

EXPENSES (DEMAND)

Construction Demand - Construction demand represents capital costs to provide needed public buildings, park and recreation facilities, and streets. Facilities included are:

- ° Public buildings - police stations (including A&T Center), fire stations, libraries (including new main library)
- ° Park and recreation facilities - resource-based parks, population-based parks, open space, deferred maintenance (rehabilitation) of existing facilities.
- ° Street projects - streets, traffic control devices, storm drainage and flood control facilities, bridge rehabilitation, alleys, transportation facilities (Planned Urbanizing Areas)

Capital improvement project costs include the costs of design and construction as well as initial outfitting costs to make facilities operational. Examples of items typically included as part of initial outfitting costs are:

- ° Libraries - books, shelves, microfilm readers, desks, chairs.
- ° Fire Stations - apparatus, furnishings, communications equipment.
- ° Police Stations - furnishings and equipment.
- ° Park Sites - landscaping, fencing, game fields, structures.
- ° Streets - lights, traffic signals, striping, signs, drainage.

Maintenance Demand - Maintenance demand includes maintenance expenses for public buildings, park and recreation facilities, and streets. Facilities included are: recreation facilities, parks, comfort stations, Community Concourse, police stations, fire stations, libraries, cultural facilities, leased City buildings, operations stations (Chollas, Rose Canyon etc.), streets, drainage structures, street lights, traffic signals, utilities treatment plants, pump stations, airports.

Maintenance costs include: routine maintenance of structures, maintenance of elevators and HVAC systems, replacement of carpeting, custodial services, rebuilding irrigation systems, building maintenance (including Balboa Park and Navy Hospital), minor facility remodeling, street maintenance (excluding resurfacing and sealing), park maintenance.

REVENUE SOURCES

Available funds projections were based on a variety of expected revenue sources. Following is a summary of the major categories:

- ° General City Revenues - General City revenues available for public facility construction and maintenance were based on projections of total discretionary revenues (property and sales taxes, and motor vehicle license fees, etc.) and the proportion of these revenues currently allocated for infrastructure construction and maintenance purposes.
- ° Land Sales Revenues - Land sales revenues were based on current projections including the sale of Pueblo Lands to support the police decentralized program.
- ° Park Fees - Park fees within the Planned Urbanizing communities are based on the need for facilities in each community. The park fees in the Urbanized communities are based on a City-wide fee except where special park fees are required by ordinance i.e. North Park, Scripps Ranch, and Mid-City.
- ° Utility Surcharge Revenues - Utility surcharge revenues are generated primarily by water and sewer capacity "buy-in" charges which are collected at the time of development. Also included are revenues generated by a small surcharge on the water rate (1.8¢ per hundred cubic feet).
- ° Subdivision Exactions - Subdivision exactions represent the value of public facilities required to be constructed by private developers.
- ° Development Impact Fees (DIF) - Development impact fees represent projected revenues paid by developers for their share of needed public facilities within a specific community.
- ° Facilities Benefit Assessment (FBA) Revenues - FBA revenue projections are based on public facility needs in Planned Urbanizing communities (North City West, North University City, Sabre Springs, etc.).
- ° Federal Aid Urban (FAU) Funds - Federal grant funds made available for street and highway construction.

APPENDIX F

ADDITIONAL CITY REVENUES GENERATED BY INCREASES IN SELECTED TAXES (1984 \$ IN MILLIONS)

<u>SALES TAX</u>	<u>1/4%</u>	<u>1/2%</u>	<u>1%</u>
FY 1986	\$ 20	\$ 40	\$ 80
20 Years	\$386	\$772	\$1,544
 <u>GAS* TAX</u>	 <u>1¢/gal.</u>	 <u>2¢/gal.</u>	 <u>3¢/gal.</u>
FY 1986	\$ 3	\$ 6	\$ 10
20 Years	\$ 36	\$ 73	\$ 109
 <u>TRANSIENT OCCUPANCY TAX</u>	 <u>1%</u>	 <u>2%</u>	 <u>3%</u>
FY 1986	\$ 3	\$ 6	\$ 9
20 Years	\$111	\$221	\$ 332

*Assumes current state allocation formula.

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